



Overview of Internal Audit Competency Framework

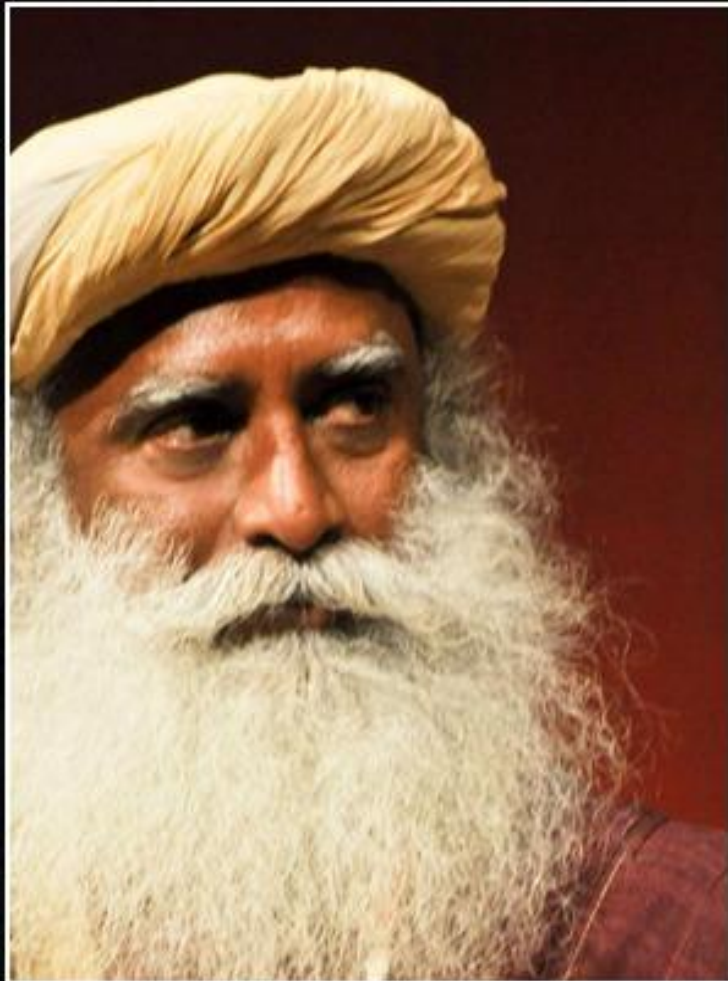
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Agenda



1. Definition
2. Highlights on the IPPF Standards
3. Internal Audit Competency Framework
4. Understanding main phases of internal audit

Opening Quote



If you want to be successful, don't seek success - seek competence, empowerment; do nothing short of the best that you can do.

— Jaggi Vasudev —

AZ QUOTES

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Quote---



“Trust is a function of two things: character and competence. Character includes your integrity, your motive and your intent with people. Competence includes your capabilities, your skills, and your track record. Both are vital”.

*Stephen Covey,
Author, Seven Habits of Highly Effective People*

Definition of Internal Auditing



- Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.
 - It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- IIA Global*
- Competency is the ability to do something successfully or efficiently. Possession of sufficient knowledge or skill.

IPPF Standards



The international Standards for the Professional Practice of Internal Auditing (Standards)

- **1210** – Proficiency – Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.
- **1210.A1** – The CAE must obtain competent advice and assistance if internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.
- **1210.A2** – internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

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IPPF Standards ... Cont'd



1210.A3 – Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1 – The CAE must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

Internal Audit Competency Framework



Professionalism

Performance

Competency
Framework

Environment

Leadership &
Communication

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Competency – Professionalism



These competencies required to demonstrate the authority, credibility, and ethical conduct essential for a valuable internal audit activity.

Competency – Professionalism



Mission of Internal Auditing

- Purpose, authority & responsibility of IA activity. Differentiate between assurance & consulting services.
- Show ability to conduct both assurance & consulting engagements in conformance with the Standards.
- Review IA activity's ability to undertake both assurance & consulting activities to add value and improve firm's operations.

Internal Audit Charter

- Set out the purpose of IA Charter identifying required elements of an IA charter in accordance with Standards.
- Develop IA charter in conformance with the Standards and obtain approval from the board.
- Assess & review IA charter to attain conformance with the Standards & nurture excellent performance.

Competency – Professionalism



Professional Development

- Appreciate knowledge, skills, and competence needed to fulfill the responsibilities of IA activity & need for continuing professional development.
- Illustrate IA competence through continuing professional development.
- Assess competencies required to fulfill the responsibilities of IA activity while promoting professional development.

Organizational Independence

- Outline import of organizational independence of the IA activity identifying components that affects independence.
- Expose any potential impairments to IA independence & the impact.
- Address any potential impairments to IA independence to attain conformance with Standards & communicate the impact of remaining impairment.

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Competency – Professionalism



Individual Objectivity

- Mark out the import of IA objectivity, identify factors that may impair or appear to impair objectivity.
- Expose & manage any real or perceived impairments to an individual IA activity's objectivity, assess & maintain IA objectivity.
- Prepare & maintain policies that govern objectivity & recommend strategies to promote objectivity

Ethical Behavior

- Describe importance of a code of ethics for IA identifying the principles of the IIA's Code of Ethics.
- Illustrate individual conformance with the IIA's Code of Ethics
- Evaluate IA activity's conformance with the IIA's Code of Ethics, recommending strategies to maintain and promote the highest ethical standards for internal auditors & IA activity.

Due Professional Care

- Describe due professional care
- Demonstrate due professional care
- Evaluate and conclude on application of due professional care

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Due Professional Care

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Competency – Performance



Performance competencies are required to plan and perform internal audit engagements in conformance with the Standards.

Competency – Performance



Organizational Governance

- Describe concept of organizational governance.
- Detect risks related to the organization's governance policies, processes and structures.
- Recommend improvements to the organization's governance policies, processes and structures.

Fraud

- Recognize types of fraud, fraud risks and red flags for fraud.
- Assess the potential for fraud and how the organization detects and manages fraud risks recommending controls to prevent & detecting fraud & educate to improve the organization's fraud awareness.
- Apply forensic auditing techniques in fraud prevention, deterrence and investigation.

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Competency – Performance



Risk Management

- Relate fundamental concepts of risk and risk management frameworks.
- Apply risk management framework to identify potential threats while examining effectiveness of risk management within processes and functions.
- Review techniques used to evaluate effectiveness of risk identification and management.

Internal Control

- Point out sets of controls..
- Apply an internal control framework to investigate the effectiveness and efficiency of internal controls.
- Scrutinize and suggest improvements to the organization's internal control framework while assessing the organization's implementation of its internal control framework.
- Apply forensic auditing techniques in fraud prevention, deterrence and investigation.

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Competency – Performance



Engagement Planning

- Describe key roles and activities involved in establishing the objectives, evaluation criteria and scope of an engagement.
- Establish the objectives, evaluation criteria and scope of an engagement.
- Assess audit engagement's objectives and scope to ensure the quality of engagement.

Engagement Fieldwork

- Set out the purpose of preliminary surveys of engagement area, checklists and risk-and-control questionnaires.
- Perform a preliminary survey of the engagement area, develop checklists and risk-and-control questionnaires, examine relevant information during an engagement.
- Assess engagement information gathering activities.

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Competency – Performance



Engagement Outcome

- Describe the components of quality engagement communication.
- Demonstrate quality engagement communications including preliminary communication with engagement clients.
- Evaluate audit engagement communications

Competency – Environment



Environment competencies are required to identify and address the risks specific to the industry and environment in which the organization operates.

Competency – Environment



Organisational Strategic Planning & Management

- Identify the risk and control implications of different organisation structures.
- Evaluate the organization's governance structure and the impact of organizational structure and culture on the overall control environment and risk management strategy.
- Recommend improvements to the overall control environment and risk management strategy

Common Business Process

- Describe the risk and control implications of common business processes (human resources, procurement, contracting, product development, project management, sales, marketing, logistics, management of outsourced processes, etc).
- Examine the risks and controls related to the organization's business processes.
- Recommend actions to address risks related to the organisation's business processes.

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Competency – Environment



Social Responsibility and Sustainability.

- Describe corporate social responsibility and sustainability.
- Examine the organization's approach to social responsibility and sustainability.
- Recommend actions to improving the organisation's approach to social responsibility and sustainability.

Information Technology

- Describe the basic concepts of IT and data analytics.
- Apply data analytics and IT in auditing.
- Evaluate the use of data analytics and It in auditing.

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Competency – Environment



Accounting & Finance

- Identify various financial and managerial accounting concepts and underlying principles.
- Conduct financial analyses while examining and interpreting financial statements.
- Evaluate financial statement accuracy and provide assurance.

Competency – Leadership & Communication



Leadership & Communication competencies are required to provide strategic direction, communicate effectively, maintain relationships, and manage internal audits personnel and processes.

Competency – Leadership & Communication



Internal Audit Strategic Planning & Management

- Recognize import of aligning IA strategic plan with organisation's strategy.
- Create IA strategic plan in alignment with firm's strategy, risk profile & risk management strategy. Create an effective & efficient budget for IA activity
- Assess IA strategic plan, evaluate & recommend improvements to the budget for IA activity.

Audit Planning & Coordinating Assurance Efforts

- Identify sources of potential engagements including industry trends & emerging risks.
- Conduct risk assessment, prioritize engagements, develop risk based internal audit plan & obtain board approvals.
- Evaluate & revise a risk-based internal audit plan to meet the organisation's evolving needs.

Competency – Leadership & Communication



Quality Assurance & Improvement Program

- Describe requirements for the Quality Assurance & Improvement Program.
- Schedule & complete internal & external quality assessments to meet requirements & report results.
- Assess the IA activity's quality assurance & improvement practices & assess conformance with the Standards.

Communication

- Recognize value of advocacy & import of maintaining stakeholder relationships such as board, senior management, audit clients, other assurance providers etc.
- Manage the IA activity's reputation & stakeholder expectations, demonstrate sincerity, honesty & empathy in communications with stakeholders to build trust & maintain relationships.
- Assess stakeholder relationships & recommend actions to attain improvements, evaluate the advocacy efforts of the IA activity.

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Phase of Internal Audit



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Phase of Internal Audit



Planning

Audit Notice

Entry Meeting

Objective & Scope

Risk Assessment

Work Program

Resources

Fieldwork

Information Gathering

Sampling

Analytical Reviews

Evidence Consolidation

Data Analytics

Process Mapping

Phase of Internal Audit



Reporting

Communication Quality

Exit Meeting

Recommendations & Conclusion

Draft Reporting

Management Action Plan

Final Report

Follow-up

Follow-up Review

Follow-up Reports

Internal Audit Annual Report

Internal Audit Annual Report



- CAE shall prepare an annual internal audit report containing the following:
- ❖ Audit assignments conducted during the period.
 - ❖ No. of audit recommendations during the period.
 - ❖ No. of audit recommendations implemented and outstanding.
 - ❖ Status of implementation of audit findings.
 - ❖ Challenges encountered during the period.
 - ❖ Performance of the internal audit activity.
 - ❖ Implementation progress of the annual audit plan.
 - ❖ Status of internal audit activity independence.
 - ❖ Resource needs, if any.
 - ❖ Any other relevant information to be shared with the Audit Committee

Q & A

Thanks for listening