



Professionalism and Internal Auditors

In the Middle Ages, law, medicine, university teaching, and religion were considered the learned professions. In the early 1900s, dentistry and architecture were added. Certified public accounting and engineering have since also entered the professional field.

Internal auditors have some catching up to do. Yet they have made remarkable progress in a relatively short time. Many of the criteria of professionalism that we discussed above have been or are being met.

In brief, these criteria or elements of a profession are as follows:

1. A **specialised service** must be rendered to society.
2. Specialised subject knowledge, which should be acquired through formal **training programmes**.
3. Members of the profession must observe a prescribed **code of ethics** when dealing with clients, colleagues and the public in the practice of their profession.
4. **Common Body of Knowledge** to be associated with the discipline and profession.
5. Membership of a **professional association**, and the acknowledgement and recognition of the professional status of the profession and attendance of meetings.
6. **Publication** of journals aimed at upgrading practice.
7. **Examinations** to test entrants' knowledge.
8. **Statutory recognition** and **licensure** by the state or certification by a board.

1. Service to society

A profession should provide a service to society as opposed to individual clients. This is done by promoting the efficient and effective use of resources. Moreover, their code of ethics requires members of the IIA to avoid being party to any illegal or improper activity.

If we take into account the nature and function of internal auditing and the specialised knowledge the internal auditor must possess, there is no doubt that he or she does render a specialised service, although it is not rendered directly to society as such. An indirect service is rendered to society in that

- organisations in the private sector are managed more efficiently and show greater profits
- public sector institutions are more efficiently managed and the taxpayer's money is utilised properly.

This indirect service is probably not yet seen in the correct perspective and properly appreciated by the public at large and is, therefore, not generally recognised as a professional service. Another important obstacle to recognition by the general public is the fact that the internal auditor does not render a service for his or her own account but is paid by the organisation for which he or she works. These circumstances raise questions regarding the professional independence of the internal auditor.

The profession does not receive direct statutory recognition in South Africa as yet, but the service of internal auditing is recognised through the Public Finance Management Act 1 of 1999, which provides, among other things, that the institutions to which the Act applies should each have and maintain a system of internal audit. The Act does not specify who should perform this service, that is to say, what qualifications the person conducting the internal audit should possess. This legislation gives direct statutory recognition to the nature of the service rendered by the internal auditor.

Another source of recognition for internal audit profession is the King III report (further discussed in Study Unit 1.2.2.2). In King III report, the importance of internal

audit is highlighted. In addition to responsibilities of internal audit being stated, King III also recommends the internal audit approach (risk-based) and its status in the company. King III reinforces the need for internal audit by stating that the board should ensure there is an effective internal audit (King III, Principle 7.1) and the audit committee who should oversee the internal audit function (King III, Principle 7.4).

These circumstances are indicative of general recognition in South Africa of the specialised professional service rendered by internal auditors.

2. Specialised subject knowledge and formal training programmes

This is not a requirement in all countries. Many internal audit departments accept people with varying degrees of training or learning. These people cannot say that they are professionals. However, others, who have demonstrated training, passed tests and earned certification, can properly regard themselves as professionals and reach practitioner status.

The International Institute of Internal Auditors in the USA has, through extensive and scientifically conducted research, established a common body of knowledge that an internal auditor should possess. This information was accepted by the International Institute, and constitutes the formal body of knowledge that serves as the basis for the formal professional examination for the qualification of certified internal auditors (CIAs).

In addition to this required theoretical knowledge, evidence of a certain minimum period of relevant practical experience must also be submitted. To retain this qualification, the holder must also submit evidence of continuous training (known as continuous professional development, or CPD).

The CIA qualification is internationally recognised, and is highly regarded by related professions such as the accounting and auditing professions in both the private and public sectors. Internal auditors in South Africa also obtain this international qualification; there is no comparable South African internal auditing qualification. Because it is held in such high regard, increasing numbers of people in South Africa are obtaining this qualification.

The internal auditing profession, therefore, complies fully with this requirement for professional recognition.

3. Code of Ethics

Members of the IIA must subscribe to the code of ethics, and follow the Standards. The code of ethics provides a moral framework within which individuals may practise, in representing the entire profession.

4. Common Body of Knowledge

There is a CBOK for the discipline. This represents the minimum level of knowledge that is studied and understood, and must be mastered. The precise content may change as the profession changes and adapts.

5. Professional association

A professional body represents the interests of its members and this is prescribed by many of the other requirements discussed. The Institute of Internal Auditors is unquestionably a professional association or body. Yet in many countries, including the United States, the Institute accepts as members those who may be practising internal auditing but who have not been certified. In other countries, such as Ireland and England, passing certain tests is a requirement for full membership. The Institute may, therefore, have to consider a separate branch, restricted to CIAs, who are board certified and who must follow a continuing education programme requiring 80 hours of education over a 2-year period.

Internal auditors are well organised at both the national level (through the IIA – South Africa) and at the international level (IIA, Inc – USA). Membership of these bodies does not, however, give the holders the exclusive right to act as internal auditors. As a result, despite the professional certification programme, there is no standard of professional knowledge and skill with which internal auditors are forced to comply before being allowed to practise. Membership of the international and local institutes is not exclusively dependent on the qualifications obtained under the professional certification programme.

Minimum professional standards and ethical codes have been compiled and formally adopted by the international institute. The local institute is affiliated to the international institute and members should, therefore, adhere to all professional standards as adopted by the IIA Inc.

Because membership of these bodies is not compulsory for people who wish to practise the profession, the standards and ethical rules cannot be enforced for non-members.

Through its affiliation with the International Institute of Internal Auditors, the South African institute is able to keep its members up to date on the latest international developments in the field of internal auditing. Information is supplied through the medium of publications, educational material, research articles, an official journal and international continuing education programmes.

6. Publication

In terms of publications, the IIA publishes a technical journal, *Internal Auditor*, as well as technical updates and books, research studies, monographs, audio-visual presentations, and other means of instruction. Contributions to these publications are made not only by practitioners, but also by respected academics, and in the form of research studies that examine subjects of interest to members.

7. Examinations

The institute began its certification programme in 1974. Previously, it called for candidates to pass four rigorous examinations, covering a wide range of subjects. Successful candidates received the designation of CIA after also meeting practical experience requirements. As of the beginning of 2014, the IIA South Africa introduced a compulsory learning pathway for those who want to be designated a CIA. Internal auditors have to first serve articles of Internal Audit Technician (IAT) and Professional Internal Auditor (PIA) before sitting for the international CIA exam. This also provides a professional designation (IAT and PIA) for those who do not want to become full-fledged CIAs. Another change is that the international CIA exam syllabus is now divided into three parts. As a foundation for the examination, the institute established and updates a common body of knowledge for those preparing to write the examination. The process of formulating the examination syllabus is useful, as it forces one to define the scope of work and level of competence required.

8. Statutory recognition and licences.

The practice of internal auditing is not limited to licensees. Anyone can be hired as an internal auditor; all the person has to do is convince his or her employer that he

or she has the necessary internal auditing capability. Lack of certification is no bar. Anyone working as an internal auditor can sign an internal audit report and render an internal audit opinion. However, there are signs that this situation is changing. Some internal auditing organisations now insist that all members be certified, or be working toward certification.

As you can see, many attributes of a profession apply to internal auditing: a common body of knowledge, a certification programme, a continuing professional development programme, a Code of Ethics, a set of International Standards, a professional journal, and an increasing flow of literature.

Today, after more than half a century, we can confidently say that internal auditing has made great progress toward professionalism. The most important development in this regard is that the specialised service of internal auditing, including the expertise and skill it requires, is in demand in both the private and public sectors, with the result that the profession has become firmly established and is widely acclaimed.