

# TECHNICAL COMPETENCY DICTIONARY

## Explanatory Note

### Internal Audit

#### Introduction

The National Treasury has developed a series of technical competency dictionaries (the *Competency Framework - CFFM*) covering the major occupational groups in the field of public financial management, risk management and internal audit. These dictionaries set out a series of descriptions of the skills and knowledge required of a competent practitioner in carrying out a number of standard tasks at various levels of responsibility within the overall function.

A total of 10 technical competencies dictionaries have been developed with the intention of contributing to human resource development in public financial management. This particular framework deals with *internal auditing* – a financial management discipline which provides independent, objective assurance designed to improve the department's operations as part of the overall internal control environment of the department.

#### Developing the Framework

The internal auditing competencies dictionary was produced following a period of research carried out on behalf of the National Treasury under the Capacity Building Model for Financial Management (CBMFM) project. This research included the following:-

- PFM related legislation,
- applicable regulations, instructions and practice notes,
- national and international standards and guidance on best practice,
- current practices applied in the workplace.

The research was supported by a series of consultative workshops with practitioners, who provided guidance on drafting the competencies, and evaluated and commented on the competency statements as they were developed. The attached technical competency dictionary represents the outcome of that developmental process. However, this dictionary and explanatory note remain living documents and will continue to be updated in the light of experience as they are used. Any comments on their contents and applicability will be welcomed, and should be submitted to the Capacity Building section of National Treasury.

#### Definition and Scope

Internal Audit operates as an independent unit with a brief to provide assurance on systems and procedures operated by the department. As part of this role, it normally reports to the department's Accounting Officer rather than the Chief Financial Officer. In some cases, internal audit activity may actually be outsourced to external contractors. This technical competencies dictionary, however, reflects the fact that the ownership of the activities which internal audit evaluates ultimately rests with the departments which internal audit serves – the responsibility of internal audit is to provide advice, support and technical and professional expertise to assist managers in fulfilling their responsibilities.

The main functions performed by internal auditors cover the following areas:-

- the development, planning and management of the internal audit function itself (including the establishment of its independent status and the operation of quality assurance provisions);
- the establishment and operation of effective relationships with other assurance providing services such as risk management and external audit;
- the planning and execution of a range of audit engagements evaluating and reporting on various aspects of the work of the department;
- the provision of consultancy support to departmental management to assist them with improvements in their systems and procedures.

This dictionary however, deals only with specific internal audit issues – matters pertaining to other financial procedures such as forensic /fraud investigations, enterprise risk management, financial accounting and budgeting are dealt with in other dictionaries, though a number of competencies in this dictionary do address aspects of engagement with some of these functions. The dictionary is based on the functioning of a typical government internal audit activity (whether in-house or outsourced).

In the course of compiling this dictionary, the matter of the departmental audit committee was examined. However, it was recognised that the membership, role and functioning of the audit committee itself were outside the scope of the dictionary, and that the provision of secretarial support to the committee was a generic function. The scope of the internal audit dictionary in this area is therefore limited to competencies dealing with the technical/professional roles of providing advice, and submitting *ad hoc* and periodic reports to the committee.

### **Assumptions**

In order to carry out its role effectively, internal audit has to be able to establish and maintain a degree of independence from the management of the organisation in which it is located. Although part of the organisational structure, and reporting to internal stakeholders, internal audit needs to be able to exercise independent judgement about its operations which permit it substantially to determine its own work programme and express audit opinions free from direct intervention by management. Throughout this dictionary it has been assumed that this crucial aspect of internal audit is understood and honoured by departmental managements.

Internal audit, like accounting, is increasingly the subject of external standards governing aspects of its operations, the qualifications and experience of its practitioners and its ethical principles. It has been assumed therefore that the internal audit activity covered in this dictionary adheres to such standards and in particular those promulgated by the Institute of Internal Auditors, widely recognised internationally as the primary source of internal audit standards.

The dictionary has also been designed on the assumption that internal auditors (including contractors where internal audit activity is outsourced) working in national and provincial departments of government are subject to broadly the same working practices and work with common IT and other operational systems. At the same time it is recognised that there can be

variations in detailed practice between central and provincial administrations, and between individual provincial administrations, so the specifications have been carefully drafted at a level of generality that ensures that such variations have been accommodated.

### **The Internal Audit Dictionary – Knowledge and Skills**

The technical competencies dictionary takes the form of a database containing two main elements:-

- the knowledge (and understanding) required to carry out efficient and effective internal auditing;
- the skills required to carry out efficient and effective internal auditing.

However, the levels of skill and knowledge required vary substantially according to the level of responsibility of the individual employee in the organisation. To address this, both skills and knowledge descriptions are provided at four different levels.

#### *Skills*

All descriptions of *skills* required are offered in four tiers (*occupational roles*) which broadly correspond with the levels of administrative, technical, supervisory and managerial responsibilities. It should be noted that in the case of internal audit, no competencies are specified at occupational role 1 – as it is a specialist, professional function, officers directly carrying out internal audit work will fall into the three higher level occupational roles. Internal audit activity is likely to involve staff at occupational role 1 level in support functions, but such staffs are not normally directly involved in professional activity and their skill requirements are primarily generic.

#### *Knowledge*

The actual *knowledge* required to support any competency is the same for all four occupational roles. However, the depth of that knowledge, and the extent of underpinning understanding required varies according to the responsibilities being exercised. Therefore knowledge requirements are also specified at four levels which broadly equate with the descriptions working, technical, in-depth and expert.

It should be noted that whilst the level of knowledge and understanding specified in the dictionary generally escalates with occupational levels, there are instances where the level of knowledge is not the same as the occupational level i.e. a greater or lesser depth of knowledge is required than would normally be expected in that occupational role.

More comprehensive details are provided in the attached **Table 1**.

### **The Internal Audit Dictionary – Competency Descriptions**

The knowledge and skills are listed against the principal components of the function. The function is therefore broken down into a series of *competency clusters* which are high-level segments of the function consisting of one or more sub-components. Each cluster is then broken down into these sub-components – *competency titles* – which are the level at which the definitions of the skills and knowledge are provided. Each definition is supplemented by a

*competency description* which summarises the scope of the competency defined. **Table 2** (attached) contains a list of the competency clusters and competency descriptions used in this dictionary with an indication in each case of the occupational roles to which they relate.

Because of database limitations in the dictionary, general areas of knowledge (such as primary legislation) and other regulations and guidance, some of this knowledge has had to be summarised, so a full statement of the knowledge required under these competency titles is set out in attached **Table 3**. This knowledge is applicable throughout the dictionary and is not normally repeated at the competency title level. Knowledge statements at that level relate to more detailed or supplementary knowledge required specifically for that competency, and are included in full in the technical competencies dictionary.

### **Generic Competencies**

The technical competency dictionary deals only with competencies that are specific to tasks in financial management. However, many of the tasks carried out within the function covered in this dictionary require more general competencies of a clerical, administrative or managerial nature. These *generic*, or *core*, skills are required for competence in many fields besides financial management, and have therefore been defined in a separate *core competencies dictionary*. In addition research has identified a number of *behavioural* competencies which further supplement the technical competencies in this dictionary. Bringing all three sets of competencies together will enable government financial managers to identify, understand and articulate clearly the range of skills and attributes needed by staff at all organisational levels for the competent discharge of their responsibilities.

### **Conclusion**

The Internal Auditing competencies dictionary, along with its nine companion dictionaries, marks a significant step forward for government financial management. Departments may apply its content to address issues in:-

- recruitment and selection,
- staff training and development,
- performance management,
- career planning and
- succession management.

**Table 1 – Definitions of Terms Used in the  
Internal Audit Activity (IAA) Technical Competencies Dictionary**

<b>Description</b>	<b>Definition</b>
<b>Competency Cluster</b>	High level segment of the function.
<b>Competency Title</b>	A short description defining the specific competency of the sub-component.
<b>Competency Definition</b>	A brief description of the competency title.
<b>Skills Requirement</b>	Statement of the skills required within each occupational role and competency title.
<b>Specific Knowledge Requirement</b>	Specific knowledge requirements are noted that are directly related to a particular competency title

<b>Knowledge Descriptors</b>	
<b>Knowledge Level 1</b>	Requires a working knowledge with a practical understanding applied in straightforward circumstances NB:Not Applicable to Internal Audit
<b>Knowledge Level 2</b>	Requires a working knowledge with a good understanding applied in circumstances of limited complexity
<b>Knowledge Level 3</b>	Requires a thorough knowledge with an in-depth understanding applied in complex circumstances
<b>Knowledge Level 4</b>	Requires an expert knowledge with a comprehensive understanding to be applied in highly complex circumstances

<b>Role Descriptors</b>		
<b>Role Descriptors</b>	<b>Examples of Relevant Positions</b>	<b>Post Levels</b>
<b>Role 1 Administrative</b>	<ul style="list-style-type: none"> <li>Not Applicable to Internal Audit</li> </ul>	Post levels 1- 6
<b>Role 2 Technical</b>	<ul style="list-style-type: none"> <li>Internal Auditor</li> </ul>	Post levels 7 - 8
<b>Role 3 Supervisory (Tactical)</b>	<ul style="list-style-type: none"> <li>Senior Internal Auditor/ Assistant Manager</li> <li>Deputy Director (Manager)</li> </ul>	Post levels 9 -12
<b>Role 4 Managerial (Strategic)</b>	<ul style="list-style-type: none"> <li>Director (Senior Manager)</li> <li>Chief Director</li> <li>Deputy Director General</li> </ul>	Post levels 13 - 16

**Table 2 – Structure of the Internal Audit Activity (IAA) Technical Competencies Dictionary**

Competency Cluster	Competency Title	Occupational Role 1	Occupational Role 2	Occupational Role 3	Occupational Role 4	
Legislative Environment	Legislative regulatory framework	Not Applicable	√	√	√	
	Departmental policies and procedures		√	√	√	
Strategic Management of the IAA	Establishment of the IAA				√	√
	Professional ethics		√	√	√	√
	Standing of the IAA		√	√	√	√
	Risks of the IAA		√	√	√	√
	Quality assurance and improvement programme (QAIP)		√	√	√	√
	Combined assurance model				√	√
						√
Relationship Management	Audit committee				√	√
	External audit				√	√
	Internal role players		√	√	√	√
Planning the IAA Activities	Strategic plan		√	√	√	√
	Resources Management		√	√	√	√
Nature of Work	Corporate governance		√	√	√	√
	Risk management		√	√	√	√
	Internal control				√	√
Internal Audit Assurance Process	Engagement planning		√	√	√	√
	Performing the engagement		√	√	√	√
	Reporting the results		√	√	√	√
	Monitoring progress	√	√	√	√	
Consulting Services	Opportunities for improvement	√	√	√	√	
	Types of services	√	√	√	√	
System utilisation	Optimal system utilisation	√	√	√	√	
Safeguarding	Safeguarding of IA information	√	√	√	√	

**Table 3 – General Knowledge Requirements for the Internal Audit Activity (IAA) Technical Competencies Dictionary**

Acts of Parliament		Internal Regulations, Systems and Guidance	External Standards and Guidance	Other Relevant Knowledge
Finance Related	Others			
Constitution of the Republic of South Africa, 1996	Employment Equity Act, 1998 (Act 55 of 1998)	National Treasury Regulations	King Report on Corporate Governance II and III	Corporate Governance Framework for the Public Sector – Australian Securities Exchange (ASX) Corporate Governance Council
Public Finance Management Act (PFMA), 1999	Labour Relations Act, 1995	National Treasury Internal Audit Framework	IIA Code of Ethics	Australian and New Zealand Risk Standards (AS/NZ 4360 (2004))
Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2004)	Code of Conduct for the Public Service promulgated in 2007	Public Sector Risk Management Framework	Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) Sections 1 to 6	
Financial Intelligence Centre Act, 2001 (Act 38 of 2001)	Promotion of Access to Information Act, 2000 (Act 2 of 2000)	Departmental IAA Policies and Procedures	IIA Competency Framework	
Remuneration of Public Office Bearers Act	Electronic Communications and Transactions Act ( Act 25 of 2002)	Departmental IAA Charter	Report of the Treadway Commission – Internal Control: Integrated Framework (COSO I)	
Preferential Procurement Policy Framework Act (PPPFA) 2000 (Act 5 of 2000)	Protected Disclosures Act, 2000 (Act 26 of 2000)	Charters for Departmental Audit and Risk Committees	Report of the Treadway Commission – Enterprise Risk Management Integrated Framework (COSO II)	
Foreign Corrupt Practices Act, 2004	Occupational Health and Safety Act (OHSA)	Minimum Anti-Corruption Regulations ( Public Service	ISO Standard 31000 (Risk Management)	

Acts of Parliament		Internal Regulations, Systems and Guidance	External Standards and Guidance	Other Relevant Knowledge
Finance Related	Others			
		(Commission)		
Prevention of Organised Crime Act, 1998 (Act 121 of 1998)		Provincial Treasury Instructions	Cadbury Commission - Criteria of Control (CoCo)	
Companies Act (2009)		Accounting Officer System (AOS)	International Public Sector Accounting Standards (IPSAS)	