Nine Elements Required for Internal Audit Effectiveness in the Public Sector
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A Global Assessment Based on The IIA’s 2010 Global Internal Audit Survey

A Part of The IIA’s Global Internal Audit Common Body of Knowledge (CBOK) Project and The IIA’s Supplemental Guidance: The Role of Auditing in Public Sector Governance, 2nd Edition

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Diane van Gils, PhD
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ACKNOWLEDGMENTS

We owe special thanks to the Committee of Research and Education Advisors (CREA) members who lent their support, guidance, and insights: Barry Ackers, IIA–South Africa, CREA; Jean Coroller, IIA–France, IIA Research Foundation Board of Trustees, and co-chair for the 2015 Global Internal Audit Common Body of Knowledge projects (CBOK); Steve Goodson, IIA–North America, CREA, former Public Sector Committee member; and Sue Ulrey, IIA–North America, CREA, and co-chair for CBOK 2010.

ABOUT THE AUTHORS

Elizabeth (Libby) MacRae, CGAP, was the lead researcher and principal author of The Institute of Internal Auditors Research Foundation’s (IIARF’s) publication *Internal Audit Capability Model (IA-CM) for the Public Sector*. She has extensive internal audit practitioner experience developed through her more than 30 years in the Government of Canada where she held three chief audit executive (CAE) positions. She was also a senior research associate with the Canadian Comprehensive Audit Foundation (CCAF)—a Canadian research and education foundation. She has been a member of The Institute of Internal Auditors (IIA) for more than 20 years, during which time she was president of the Ottawa Chapter, a member of the Vision for the Future Task Force, the Professional Issues Committee, the Internal Audit Standards Board, the Public Sector Committee, and the Common Body of Knowledge (CBOK) 2015 Practitioner Subcommittee. She is also the chairperson of a United Nations Audit Committee, which provides her with experience in international and public sector governance, risk management, and accountability.

Diane van Gils, PhD, worked for 10 years as a practitioner in the development of internal control frameworks and quality management systems within public administrations at international and national levels. She then completed a PhD on the determinants on the internal audit activities adoption and performance in the public sector based on the *Internal Audit Capability Model (IA-CM) for the Public Sector* (IIARF, 2009). She received two prizes for her contribution to internal audit and public accounting research—the European Confederation of Institutes of Internal Auditing (ECIIA) and the Comparative International Governmental Accounting Research (CIGAR) Network awards. She is now starting an internal audit career in the Government of Belgium while contributing to various scientific publications and executive courses on internal audit, internal control, and risk management in the public sector.
EXECUTIVE SUMMARY

Internal auditors in the public sector operate in an environment with unique challenges. This study used a global survey sponsored by The Institute of Internal Auditors (IIA) to analyze the condition of the public sector worldwide regarding the elements that are necessary to establish an effective internal audit activity.

The primary research questions were:

- What are the greatest strengths of internal audit activities in the public sector around the world?
- What are the most significant barriers to audit effectiveness faced by internal audit activities in the public sector around the world?
- What are the main regional differences?

The report is based on The IIA’s *Supplemental Guidance: The Role of Auditing in Public Sector Governance*, 2nd edition (2012). This document defined the following nine elements as essential for an effective public sector audit activity: 1) organizational independence, 2) a formal mandate, 3) unrestricted access, 4) sufficient funding, 5) competent leadership, 6) objective staff, 7) competent staff, 8) stakeholder support, and 9) professional audit standards.

These nine elements were compared to findings from The IIA’s 2010 Global Internal Audit Survey, which included responses from 2,824 public sector practitioners from 107 countries (out of a total of 13,500 individual respondents). The IIA Research Foundation (IIARF) conducts this global survey every five years as one of the projects for The IIA’s Global Internal Audit Common Body of Knowledge (CBOK).

Highlights from the findings include:

- More than two-thirds of public sector respondents indicated that internal auditing was required by law or regulation in the jurisdictions in which their organizations were based. Internal auditing was required by law or regulation the most in the Europe-Central Asia region, and the least in the United States and Canada, followed closely by the Middle East and the Asia Pacific regions.

- About a fifth of public sector respondents indicated that they had been subject to coercion to change a rating or assessment or withdraw a finding in an internal audit report. Internal auditor respondents from Africa indicated that they had experienced coercion the most, while respondents from the United States and Canada indicated that they had experienced it the least.

- About half the public sector chief audit executive (CAE) respondents indicated that an audit committee or equivalent was established in their organizations, but only a quarter of them indicated that the audit committee was involved in their appointments.
About 40% of the CAE respondents indicated that they had more than six years’ senior experience as a CAE or equivalent. CAE respondents from Latin America and the Caribbean had the most senior experience (60%). By contrast, CAE respondents from Europe-Central Asia had the least senior experience (25%).

Public sector internal auditors and their stakeholders can use the results of this study to compare the conditions in their organizations to other public sector organizations in their region and around the world. This information can then be used to target the most beneficial areas for improvement.

SECTION 1 METHODOLOGY

Public sector audit activities must be configured appropriately to enable public sector organizations to fulfill their duty to be accountable and transparent to the public, while achieving their objectives effectively, efficiently, economically, and ethically.

Because of the extraordinary demand for guidance related to auditing in the public sector, in 2012 The IIA updated its supplemental guidance titled The Role of Auditing in Public Sector Governance, 2nd edition. The updated practice guide presented nine key elements needed to establish an effective public sector audit activity (see exhibit 1.1). All nine key elements must exist for the audit activity to be effective. For an explanation of these nine key elements, see appendix D.

Exhibit 1.1: The Nine Key Elements of an Effective Public Sector Audit Activity

| 1. Organizational independence |
| 2. A formal mandate |
| 3. Unrestricted access |
| 4. Sufficient funding |
| 5. Competent leadership |
| 6. Objective staff |
| 7. Competent staff |
| 8. Stakeholder support |
| 9. Professional audit standards |


MAPPING THE GLOBAL SURVEY RESPONSES INTO THE NINE KEY ELEMENTS

The first step of the study was to identify which questions from The IIA’s 2010 Global Internal Audit Survey would serve as measures for the nine key elements. The answers to these questions were converted into percentages that reflected the proportion of respondents who indicated agreement with a statement or existence of a condition described in the survey question.¹
For six of the nine elements, the survey provided a variety of relevant findings, but there was somewhat limited information for three of the elements (specifically, unrestricted access, sufficient funding, and stakeholder support). Further research could be done to obtain more comprehensive information.

**HOW TO USE THIS REPORT**

Internal auditors and their stakeholders can use the results of this study to identify areas of strength and areas that need improvement to increase the effectiveness of their internal audit activities. To take full advantage of the findings from this study, the reader is encouraged to also obtain two other key publications for public sector internal auditors:

- IIARF report: *Internal Audit Capability Model (IA-CM) for the Public Sector* (2009)

In addition, a companion study titled *The Capabilities of Internal Auditors in the Public Sector* is also available from The IIARF. This study analyzed the 2010 Global Internal Audit Survey based on the framework of the *Internal Audit Capability Model (IA-CM) for the Public Sector*. Taken together, the current report and the companion report provide a thorough picture of the characteristics of public sector internal auditors around the world.

For a selected list of additional resources on these topics, see appendix B.

**SECTION 2 CHARACTERISTICS OF PUBLIC SECTOR RESPONDENTS**

The IIA’s 2010 Global Internal Audit Survey (GIAS) received about 13,500 responses from internal auditors and other practitioners around the world. Out of this group, 2,824 individual respondents worked for public sector/government organizations (see exhibit 2.1). This report focuses on describing responses from the public sector respondents only.

(Note that The IIA defines the public sector as “governments and all publically controlled or publically funded agencies, enterprises, and other entities that deliver public programs, goods, or services.”)
Exhibit 2.1. Organization Types of All Survey Respondents

<table>
<thead>
<tr>
<th>Organization Type</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privately held (non-listed) organization</td>
<td>3,458</td>
<td>29%</td>
</tr>
<tr>
<td>Publically traded (listed) organization</td>
<td>4,630</td>
<td>38%</td>
</tr>
<tr>
<td>Public sector/government</td>
<td>2,824</td>
<td>23%</td>
</tr>
<tr>
<td>Not-for-profit organization/nongovernment organization</td>
<td>699</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>431</td>
<td>4%</td>
</tr>
<tr>
<td>Total valid responses (for this question)</td>
<td>12,042</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 11, all respondents. Note: The total number of The IIA’s 2010 Global Internal Audit Survey responses was 13,582, of which 12,042 valid responses were obtained for this question.

The chapter provides regional analysis for the demographic characteristics of the public sector survey respondents. These characteristics include:

**Individual Characteristics**
- Position levels held
- Geographic regions where public sector respondents worked

**Organizational Characteristics**
- Geographic scope of their organizations
- Number of employees in the organization
- Revenue or budget for the organization
- Age of the internal audit activity

**Other Contextual Characteristics of the Organization**
- Legal requirements for organizations to have an internal audit activity
- Existence of a long-term strategic plan
- Implementation of an internal control framework
- Existence of an ethics policy
- Existence of a corporate governance code

**INDIVIDUAL CHARACTERISTICS**

**Level of Position in the Organization**
Public sector respondents came from a variety of levels (see exhibit 2.2).
For the purposes of this report, it is important to note that some survey questions were only given to CAEs. There were 645 CAE respondents out of a total of 2,824 public sector respondents. As needed, this study will indicate which questions were answered by public sector CAEs only.

**Geographic Regions of Public Sector Respondents**

All respondents were asked to indicate in which location they primarily practiced internal auditing. Their responses were grouped in seven different broad geographical areas. For a list of which countries were placed into each region, see appendix C. The regions for all public sector respondents are shown in exhibit 2.3. Please note that because of the relatively small number of respondents from the Middle East, some of the statistical analysis for the Middle East region will show more variance compared to the other regions.
Exhibit 2.3. All Public Sector Respondents per Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States and Canada</td>
<td>25%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>23%</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>16%</td>
</tr>
<tr>
<td>Europe-Central Asia</td>
<td>12%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>11%</td>
</tr>
<tr>
<td>Africa</td>
<td>9%</td>
</tr>
<tr>
<td>Middle East</td>
<td>4%</td>
</tr>
</tbody>
</table>


ORGANIZATIONAL CHARACTERISTICS

Geographic Scope of Respondents’ Organizations

Exhibit 2.4. Geographic Scope of Public Sector Respondents’ Organizations

<table>
<thead>
<tr>
<th>Scope</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>42%</td>
</tr>
<tr>
<td>State/provincial/regional</td>
<td>32%</td>
</tr>
<tr>
<td>Local</td>
<td>18%</td>
</tr>
<tr>
<td>International/multinational</td>
<td>8%</td>
</tr>
</tbody>
</table>

Number of Employees in the Organization

Exhibit 2.5. Number of Employees in Public Sector Respondents' Organizations

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-50</td>
<td>2%</td>
</tr>
<tr>
<td>51-100</td>
<td>4%</td>
</tr>
<tr>
<td>101-500</td>
<td>4%</td>
</tr>
<tr>
<td>501-1,000</td>
<td>13%</td>
</tr>
<tr>
<td>1,001-5,000</td>
<td>32%</td>
</tr>
<tr>
<td>5,001 or more</td>
<td>31%</td>
</tr>
</tbody>
</table>


Revenue or Budget for the Organization

Exhibit 2.6. Organizational Revenue or Budget in U.S. Dollars for Public Sector Respondents

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500M or less</td>
<td>41%</td>
</tr>
<tr>
<td>$500 million to $1 billion</td>
<td>17%</td>
</tr>
<tr>
<td>$1 billion to $5 billion</td>
<td>19%</td>
</tr>
<tr>
<td>$5 billion to $15 billion</td>
<td>8%</td>
</tr>
<tr>
<td>$15 billion to $25 billion</td>
<td>4%</td>
</tr>
<tr>
<td>$26 billion or more</td>
<td>11%</td>
</tr>
</tbody>
</table>

**Age of the Internal Audit Activity**

**Exhibit 2.7. Age of the Public Sector Internal Audit Activity**

- 26-and more: 28%
- 11-25 years: 32%
- 7-10 years: 18%
- 0-6 years: 22%


**OTHER CONTEXTUAL CHARACTERISTICS OF THE ORGANIZATION**

The environmental characteristics are important to include in this overview because they influence which performance level would be most appropriate for the internal audit activity. They also influence the development of internal audit practices.

Not every organization requires the same level of internal audit capability or sophistication. The appropriate level will be commensurate with the nature and complexity of the organization and the risks to which the organization may be exposed. Other contextual characteristics of the organization include the external regulatory environment and the internal management and administration.

**Internal Audit Activity Required by Law**

The external regulatory environment may impact the capability of the internal audit activity. Specifically, having a legal mandate may give more legitimacy to the internal audit activity.

A global average of three quarters of the public sector respondents (77%) indicated that internal auditing was required by law or regulation where their organizations were based. The highest percentage of respondents with legal mandates was from Europe-Central Asia (92%), and the lowest rate was in the United States and Canada (66%) (see exhibit 2.8).
Nine Elements Required for Internal Audit Effectiveness in the Public Sector

Exhibit 2.8. Internal Auditing Required by Law in Public Sector Organizations

<table>
<thead>
<tr>
<th>Region</th>
<th>Average of Public Sector Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe-Central Asia</td>
<td>92%</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>89%</td>
</tr>
<tr>
<td>Africa</td>
<td>86%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>77%</td>
</tr>
<tr>
<td>Middle East</td>
<td>70%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>70%</td>
</tr>
<tr>
<td>United States and Canada</td>
<td>66%</td>
</tr>
</tbody>
</table>

Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 48: Does this statement apply to your organization?

Strategic Plans and Controls

The internal management and administrative environment of the organization influences the level of performance of the internal audit activity. For example, a more mature organization with strong governance, accountability, and control frameworks will more likely be able to support an internal audit activity at a higher capability level.

Most public sector respondents indicated that their organizations have implemented management control tools such as internal control frameworks (79%) and a long-term corporate strategic plan (67%) (see exhibit 2.9).

Exhibit 2.9. Strategic Plans and Controls in Public Sector Organizations

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia Pacific</th>
<th>Europe-Central Asia</th>
<th>Latin America and Caribbean</th>
<th>Middle East</th>
<th>United States and Canada</th>
<th>Western Europe</th>
<th>Public Sector Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term strategic plan for the organization(^1)</td>
<td>70%</td>
<td>71%</td>
<td>59%</td>
<td>69%</td>
<td>65%</td>
<td>63%</td>
<td>73%</td>
<td>67%</td>
</tr>
<tr>
<td>Implemented an internal control framework(^2)</td>
<td>79%</td>
<td>81%</td>
<td>78%</td>
<td>90%</td>
<td>75%</td>
<td>72%</td>
<td>77%</td>
<td>79%</td>
</tr>
</tbody>
</table>


\(^1\)Question 16: Which of the following exists in your organization:

\(^2\)Question 48: Does this statement apply to your organization?
Ethics Policy and Corporate Governance Code

It is interesting to note that respondents were almost twice as likely to have an ethical code (69%) as they were to have a corporate governance code (38%) (see exhibit 2.10).

| Exhibits 2.10. Ethics Policy and Corporate Governance in Public Sector Organizations |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Africa                               | Asia Pacific | Europe-Central Asia | Latin America and Caribbean | Middle East | United States and Canada | Western Europe | Public Sector Average |
| Corporate ethics policy/code of ethics/code of conduct | 60%    | 79%    | 61%    | 68%    | 68%    | 76%    | 67%    | 69%    |
| Corporate governance code            | 32%    | 50%    | 16%    | 33%    | 40%    | 38%    | 48%    | 38%    |

Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 16: Which of the following exists in your organization:

SUMMARY

The key demographic findings from the public sector respondents were:

- 2,824 public sector respondents from around the world
- 48% worked in the United States and Canada and Western Europe
- 63% worked for organizations with more than 1,000 employees
- 60% worked for internal audit activities in existence 11 years or more
- 77% indicated that internal auditing was required by law or regulation where the organization was based
SECTION 3 FINDINGS

This section presents the 2010 GIAS public sector responses in relation to each of the nine key elements. These findings will help internal auditors in the public sector to compare the conditions in their organizations to other public sector organizations. The results can also be used to communicate with stakeholders about the conditions that are present in an organization.

OVERVIEW

The discussion of each key element starts with a table that names the element and gives one or more characteristics of the element (based on The IIA’s supplemental guidance).

Each characteristic is followed by a list of the item(s) from the survey that apply to that characteristic, along with a score. The score indicates either:

- The percentage of public sector respondents who indicated their organizations experienced the condition or activity that was described, or
- The percentage of public sector respondents who agreed with a statement from the survey

These scores are the global averages for public sector respondents. Regional differences are described in the text, and all of the regional scores are reported in appendix A. The reader is encouraged to use appendix A as a resource for understanding the unique characteristics of his or her region. (Appendix A also documents which 2010 GIAS questions were used in this study.)
ELEMENT #1: ORGANIZATIONAL INDEPENDENCE

<table>
<thead>
<tr>
<th>Organizational Independence—Work Without Interference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Independence</strong></td>
</tr>
<tr>
<td><strong>Characteristic:</strong> Organizational independence allows the audit activity to conduct work and be perceived to conduct work without interference by the entity under audit.</td>
</tr>
<tr>
<td>The survey respondents (CAEs only) agreed with this statement: Independence is a key factor for the internal audit activity to add value.</td>
</tr>
<tr>
<td>The survey respondent indicated he or she had been subject to coercion.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Appointment of CAE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristic:</strong> Independence is greatly impacted by how the CAE is appointed and can be terminated.</td>
</tr>
<tr>
<td>Top-level management involved in the appointment of the CAE</td>
</tr>
<tr>
<td>Audit committee involved in the appointment of the CAE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Functional Reporting Relationship</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristic:</strong> Organizational independence is also facilitated when the CAE reports functionally to the board and administratively to the organization’s CEO.</td>
</tr>
<tr>
<td>Respondents (CAEs only) indicated they had a direct administrative reporting relationship to the CEO/president/head of government agency or the audit committees or equivalent in the organizations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Lack of Management Interference</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics:</strong> Important parts of this independence are the CAE’s ability to be protected from management or political interference or retaliation resulting from carrying out legitimate duties in accordance with The IIA’s International Standards for the Professional Practice of Internal Auditing (Standards). The CAE should also be free to staff the audit activity without interference from management or undue political influence from public officials.</td>
</tr>
<tr>
<td>Audit committee or equivalent established</td>
</tr>
<tr>
<td>Appropriate access to the audit committee</td>
</tr>
<tr>
<td>Survey respondents (CAEs only) agreed with this statement: Internal audit activity is an independent, objective assurance and consulting activity.</td>
</tr>
</tbody>
</table>

*This response only includes public sector CAEs who indicated the presence of an audit committee in their organizations.

Almost all CAE respondents (92%) agreed or strongly agreed that independence was a key factor for the internal audit activity to add value.

In response to a question related to coercion, about a fifth of the internal auditor respondents (21%) indicated that they had been subject to coercion (extreme pressure) to change a rating or assessment or to withdraw a finding in an internal audit report (see exhibit 3.1). The highest percentage was in Africa (31%), and the lowest was in the United States and Canada (13%) (see exhibit 3.2).

About half the CAE respondents indicated that an audit committee or equivalent was established in their organizations, but only a quarter of them identified that the audit committee was involved in their appointments (see exhibits 3.3 and 3.4). More effort needs to be directed to establishing audit
committees or equivalent and identifying the roles and responsibilities of those committees, such as appointing and communicating with the CAE.

Exhibit 3.1. Internal Auditors Subject to Coercion in the Public Sector

Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 40c: Have you been subject to coercion (extreme pressure) to change a rating or assessment or to withdraw a finding in an internal audit report?

Exhibit 3.2. Regional Responses for Internal Auditors Subject to Coercion in the Public Sector

Exhibit 3.3. Main Actors Involved in Appointing the CAE

<table>
<thead>
<tr>
<th>Role</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO/president/head of government agency</td>
<td>63%</td>
</tr>
<tr>
<td>Audit committee/committee chairman</td>
<td>25%</td>
</tr>
<tr>
<td>Board/supervisory committee</td>
<td>21%</td>
</tr>
<tr>
<td>Chairman of the board/supervisory committee</td>
<td>13%</td>
</tr>
<tr>
<td>Chief financial officer (CFO)/vice president of finance</td>
<td>10%</td>
</tr>
<tr>
<td>Chief operating officer (COO)</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 17a: Who is involved in appointing the chief audit executive (CAE) or equivalent? (please mark all that apply)

Note: Multiple responses were allowed for this question, so the total percentage will exceed 100%.

Exhibit 3.4. Establishment of an Audit Committee or Equivalent

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States and Canada</td>
<td>81%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>71%</td>
</tr>
<tr>
<td>Africa</td>
<td>69%</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>53%</td>
</tr>
<tr>
<td>Middle East</td>
<td>50%</td>
</tr>
<tr>
<td>Western Europ</td>
<td>41%</td>
</tr>
<tr>
<td>Europe-Central Asia</td>
<td>10%</td>
</tr>
<tr>
<td>Total Public Sector CAEs</td>
<td>53%</td>
</tr>
</tbody>
</table>

Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 19: Is there an audit committee or equivalent in your organization?

ELEMENT #2: A FORMAL MANDATE

A Formal Mandate

**Characteristics:** The audit activity’s powers and duties should be established by the public sector’s constitution, charter, or other basic legal document. Among other topics, this document would address procedures and requirements of reporting and the obligation of the audited entity to collaborate with the auditor.

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal auditing is required by law or regulation where the organization is based.</td>
<td>77%</td>
</tr>
<tr>
<td>Internal audit charter is established</td>
<td>88%</td>
</tr>
<tr>
<td>Internal audit mission statement is established</td>
<td>59%</td>
</tr>
<tr>
<td>Internal audit team is involved in the formal reporting of results</td>
<td>94%</td>
</tr>
</tbody>
</table>
A formal mandate of an internal audit activity (such as that included in an organizational policy) can be further strengthened within the organization when the internal audit activity is also required by a legal mandate. About three-quarters of the respondents (77%) indicated that their internal audit activities were required by law or regulation where their organizations were based.

With respect to other mandate documents, almost nine out of 10 of the CAE respondents (88%) indicated that their internal audit activities had established an internal audit charter. About six out of 10 of the CAE respondents (59%) indicated that they had established an internal audit mission statement.

In terms of formal reporting (the requirements and procedures of which are often included in the mandate document), nearly all of the CAE respondents (94%) indicated that their internal audit teams were involved in the formal reporting of results to senior management after the release of an audit report.

While organizations do not have much control over whether laws or regulations in their areas mandate internal audit activities, they can suggest establishment of internal audit charters and mission statements.

**ELEMENT #3: UNRESTRICTED ACCESS**

<table>
<thead>
<tr>
<th>Unrestricted Access</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics:</strong> Audits should be conducted with complete and unrestricted access to employees, property, and records as appropriate for the performance of audit activities.</td>
</tr>
<tr>
<td>Respondents (CAEs only) agreed with this statement: Internal audit has sufficient status in the organization to be effective.</td>
</tr>
</tbody>
</table>

**Opportunities for Improvement for Element #3: Unrestricted Access**

CAE respondents should request complete and unrestricted access to employees, property, and records in the performance of internal audit activities.

**ELEMENT #4: SUFFICIENT FUNDING**

<table>
<thead>
<tr>
<th>Sufficient Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics:</strong> The audit activity must have sufficient funding relative to the size of its audit responsibilities. This important element should not be left under the control of the organization being audited, because the budget impacts the audit activity’s capacity to perform its responsibilities.</td>
</tr>
<tr>
<td><strong>Measurements from the Survey</strong></td>
</tr>
<tr>
<td>None</td>
</tr>
</tbody>
</table>

No data from The IIA’s 2010 Global Internal Audit Survey data are reported on this element, as the survey did not address questions about funding issues. Insufficient funding would create a significant barrier to fulfilling the roles and responsibilities of the internal audit activity in the public sector. Therefore, CAEs should request sufficient funding relative to the size of their audit responsibilities, and decisions relating to such funding should be independent of the organization being audited.
ELEMENT #5: COMPETENT LEADERSHIP

**Competent Leadership**

**Characteristics:** The leader should be knowledgeable of applicable audit standards, professionally qualified—preferably certified—and competent to oversee and manage an audit activity. Moreover, the CAE should be an articulate public spokesperson for the audit activity.

**Measurements from the Survey**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAE has senior experience as a CAE or equivalent *</td>
<td>40%</td>
</tr>
<tr>
<td>CAE professional certification(s) in internal auditing</td>
<td>71%</td>
</tr>
</tbody>
</table>

\* Senior experience was defined as having more than six years of experience as a CAE.

More than two-thirds of CAE respondents (71%) indicated that they had professional certifications in the internal audit field or equivalent. The Certified Internal Auditor (CIA) was the professional certification held by most of the CAE respondents, followed by the public accountancy certifications. The Certified Government Audit Professional (CGAP) was the third most-cited certification.

In terms of senior experience, CAE respondents were asked to specify the number of years they had been working as a CAE in their current and previous organizations. Survey results indicated that fewer than half the CAE respondents (40%) had more than six years’ experience as a CAE in their current and previous organizations (see exhibit 3.5). Analysis by region showed that 60% of the CAE respondents from Latin America and Caribbean had senior experience compared to 25% of the CAE respondents of Europe-Central Asia (see appendix A). It would seem prudent for public sector organizations to ensure that their CAEs have sufficient experience to increase the leadership capacity and credibility of their internal audit activities.

**Exhibit 3.5. Total Years of Experience as a CAE or Equivalent for Public Sector Respondents**

<table>
<thead>
<tr>
<th>Experience Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 years or fewer</td>
<td>29%</td>
</tr>
<tr>
<td>3-6 years</td>
<td>31%</td>
</tr>
<tr>
<td>7-9 years</td>
<td>14%</td>
</tr>
<tr>
<td>10 years or more</td>
<td>26%</td>
</tr>
</tbody>
</table>

Other Measures for Competent Leadership—Most Important General Competencies for CAEs

The survey provided other helpful questions that could also be used to evaluate competent leadership. In particular, CAE respondents were given a list of general competencies and were asked to identify the five most important general competencies needed for heads of internal audit to perform their work. Exhibit 3.6 shows what percentage of respondents chose each competency as one of the five most important competencies for CAEs to have.

Exhibit 3.6. General Competencies Chosen as One of the Five Most Important Competencies for CAEs

<table>
<thead>
<tr>
<th>Competency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to promote the value of the internal audit activity within the organization</td>
<td>88%</td>
</tr>
<tr>
<td>Communication skills (including oral, written, report writing, and presentation skills)</td>
<td>71%</td>
</tr>
<tr>
<td>Keeping up-to-date with industry and regulatory changes and professional standards</td>
<td>60%</td>
</tr>
<tr>
<td>Conflict resolution/negotiation skills</td>
<td>51%</td>
</tr>
<tr>
<td>Problem identification and solution skills (including critical, conceptual, and analytical thinking skills)</td>
<td>48%</td>
</tr>
<tr>
<td>Organizational skills (including project and time management)</td>
<td>45%</td>
</tr>
<tr>
<td>Staff training and development</td>
<td>38%</td>
</tr>
<tr>
<td>Change management skills</td>
<td>30%</td>
</tr>
<tr>
<td>Competency with accounting frameworks, tools, and techniques</td>
<td>13%</td>
</tr>
<tr>
<td>Competency with IT/ICT frameworks, tools, and techniques</td>
<td>11%</td>
</tr>
<tr>
<td>Cultural fluency and foreign language skills</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 46: Please mark the five most important of the following competencies for the [head of the internal audit activity]. Note: Multiple responses were allowed for this question, so total percentage will exceed 100%.

The regional responses regarding the general competencies were very similar, with the following noteworthy exceptions:

- Keeping up-to-date with industry and regulatory changes and professional standards (see exhibit 3.7)
- Conflict resolution/negotiation skills (see exhibit 3.8)
Exhibit 3.7. Regional Differences in Ratings for Keeping Up-to-Date with Industry, Regulatory, and Standards Changes

Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 46: Please mark the five most important of the following competencies for the [head of the internal audit activity]. This table shows the response for the competency titled Keeping Up-to-Date with Industry, Regulatory, and Standards Changes.

Exhibit 3.8. Regional Differences in Ratings for Conflict Resolution/Negotiation Skills

Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 46: Please mark the five most important of the following competencies for the [head of the internal audit activity]. This table shows the response for the competency titled Conflict Resolution/Negotiation Skills.
ELEMENT #6: OBJECTIVE STAFF

Objective Staff

| Characteristic: Audit staff must have impartial attitudes and avoid any conflict of interest. |
| Respondents agreed with the statement: Objectivity is a key factor for your internal audit activity to add value. | 96% |
| Conformance with The IIA’s Code of Ethics | 77% |
| Objective and/or governance and ethics sensitivity | 78% |

Almost all the CAE respondents (96%) agreed or strongly agreed that objectivity was a key factor for their internal audit activity to add value. This statement was further confirmed when 78% of CAE respondents selected objectivity and/or governance and ethics sensitivity as one of the five most important behavioral skills necessary for the internal audit staff (see exhibit 3.10). In terms of ethics, most CAE respondents (77%) agreed or strongly agreed that their internal audit activities met/exceeded the requirements of The IIA’s Code of Ethics. These results confirm the importance of internal audit staff being objective and perceived to be objective in the conduct of their work.

ELEMENT #7: COMPETENT STAFF

Competent Staff

| Characteristic: The audit activity needs a professional staff that collectively has the necessary qualifications and competencies to conduct the full range of audits required by the mandate. Auditors must comply with minimum education requirements established by their relevant professional organizations and standards. |
| Internal audit staff professional certification(s) | 54% |
| Internal audit staff are members of The IIA | 89% |
| Internal audit staff members have at least 40 hours of formal training per year | 77% |

In the survey, the internal audit staff respondents were asked to select all professional certifications that applied to them in the survey list (see exhibit 3.9).

CIA was the professional certification held by the most respondents (23%), followed by the public accountancy certifications such as Certified Public Accountant (CPA), Chartered Accountant (ACA), and Chartered Certified Accountant (ACCA) (15%) and other internal audit certifications such as MIIA and PIIIA (8%). The Certified Government Audit Professional (CGAP) came in fifth with 6%.

About half of all internal audit staff respondents (54%) selected at least one professional certification in the list or other certification(s), while 46% selected none. The internal audit staff respondents from the United States and Canada (67%), the Middle East (66%), and Western Europe (65%) had the highest percentage of respondents who selected at least one professional certification.
In terms of IIA membership, about 89% of internal audit staff respondents indicated that they were members of The IIA. This high percentage is to be expected because The IIA’s 2010 Global Internal Audit Survey was sent primarily to IIA members (see appendix A).

In terms of training, about three-quarters of the internal audit staff respondents (77%) indicated that they had at least 40 hours of formal training a year, with higher rates in the United States and Canada and the Asia Pacific regions (see appendix A).

**Most Important Behavioral Skills for Staff**

Staff competency could also be measured by using survey questions related to behavioral skills. CAE respondents were asked to identify the five most important behavioral skills expected for the internal audit staff to perform their work. Exhibit 3.10 summarizes the CAE responses from highest to lowest percentage.
Exhibit 3.10. Behavioral Skills Chosen as One of the Five Most Important Skills for Internal Audit Staff

<table>
<thead>
<tr>
<th>Skill</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confidentiality</td>
<td>74%</td>
</tr>
<tr>
<td>Objectivity</td>
<td>70%</td>
</tr>
<tr>
<td>Communication — sending clear messages, listening</td>
<td>61%</td>
</tr>
<tr>
<td>Judgment</td>
<td>48%</td>
</tr>
<tr>
<td>Work independently</td>
<td>45%</td>
</tr>
<tr>
<td>Team player — collaboration/cooperation</td>
<td>41%</td>
</tr>
<tr>
<td>Work well with all levels of management</td>
<td>30%</td>
</tr>
<tr>
<td>Governance and ethics sensitivity</td>
<td>25%</td>
</tr>
<tr>
<td>Influence — ability to persuade</td>
<td>22%</td>
</tr>
<tr>
<td>Relationship building — building bonds</td>
<td>12%</td>
</tr>
<tr>
<td>Facilitation</td>
<td>12%</td>
</tr>
<tr>
<td>Change catalyst</td>
<td>10%</td>
</tr>
<tr>
<td>Team building/creating group synergy</td>
<td>9%</td>
</tr>
<tr>
<td>Leadership</td>
<td>6%</td>
</tr>
<tr>
<td>Staff management</td>
<td>2%</td>
</tr>
</tbody>
</table>


It is important to note that there was significant regional variation for three of the five highest-ranked behavioral skills. These skills were confidentiality, judgment, and working independently. These results underscore the importance of recognizing that regions have differing perspectives regarding the relative importance of behavioral skills. A behavioral skill that is considered most important for one region may not be considered as important in another region. Please review the exhibits on the next two pages for more information.

- Confidentiality (see exhibit 3.11)
- Judgment (see exhibit 3.12)
- Working independently (see exhibit 3.13)
### Exhibit 3.11. Regional Differences in Ratings for Confidentiality

<table>
<thead>
<tr>
<th>Region</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America and Caribbean</td>
<td>90%</td>
</tr>
<tr>
<td>Africa</td>
<td>88%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>76%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>71%</td>
</tr>
<tr>
<td>Middle East</td>
<td>70%</td>
</tr>
<tr>
<td>Europe-Central Asia</td>
<td>66%</td>
</tr>
<tr>
<td>United States and Canada</td>
<td>64%</td>
</tr>
<tr>
<td>Public Sector Total</td>
<td>74%</td>
</tr>
</tbody>
</table>

*Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 44a: Please indicate the importance of the following behavioral skills for you to perform your work at your position in the organization. This table shows the percentage of public sector CAEs who indicated “very important” for the skill titled Confidentiality.*

### Exhibit 3.12. Regional Differences in Ratings for Judgment

<table>
<thead>
<tr>
<th>Region</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States and Canada</td>
<td>63%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>49%</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>43%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>43%</td>
</tr>
<tr>
<td>Europe-Central Asia</td>
<td>39%</td>
</tr>
<tr>
<td>Africa</td>
<td>38%</td>
</tr>
<tr>
<td>Middle East</td>
<td>20%</td>
</tr>
<tr>
<td>Public Sector Total</td>
<td>48%</td>
</tr>
</tbody>
</table>

*Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 44a: Please indicate the importance of the following behavioral skills for you to perform your work at your position in the organization. This table shows the percentage of public sector CAEs who indicated “very important” for the skill titled Judgment.*
Exhibit 3.13. Regional Differences in Ratings for Working Independently

Source: The Global Internal Audit Survey, 2010, The Institute of Internal Auditors Research Foundation, question 44a: Please indicate the importance of the following behavioral skills for you to perform your work at your position in the organization. This table shows the percentage of public sector CAEs who indicated “very important” for the skill titled Working Independently.

ELEMENT #8: STAKEHOLDER SUPPORT

Stakeholder Support

Characteristics: The legitimacy of the audit activity and its mission should be understood and supported by a broad range of elected and appointed public sector officials, as well as by the media and involved citizens.

Respondents agreed with this statement: The internal audit activity is credible within the organization. 89%

In terms of credibility of the internal audit activity, most of the CAE respondents (89%) agreed or strongly agreed that their internal audit activities were credible within their organizations. Further analysis by region shows similar results, except Europe-Central Asia with 79%. It would be interesting to complement these views with a stakeholder’s perspective.
ELEMENT #9: PROFESSIONAL AUDIT STANDARDS

**Professional Audit Standards**

**Characteristics:** Professional audit standards, such as the International Professional Practices Framework (IPPF) promulgated by The IIA, support the implementation of the previous elements and provide a framework to promote quality audit work that is systematic, objective, and based on evidence. Audit activities should conduct their work in accordance with recognized standards.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conformance with the Standards is seen as a key factor for the internal audit activity to add value to the governance process.</td>
<td>79%</td>
</tr>
<tr>
<td>Internal audit activity conforms to some or all of the Standards.</td>
<td>88%</td>
</tr>
<tr>
<td>Verification of compliance with other standards or codes.</td>
<td>43%</td>
</tr>
</tbody>
</table>

In response to questions on the Standards, an average of 79% of respondents (CAEs only) agreed or strongly agreed that conformance with the Standards was a key factor for their internal audit activities to add value to the governance process. There were regional variations, with Latin America and the Caribbean with highest percentage of respondents who viewed the Standards as a key factor (91%), and Western Europe with the lowest percentage (73%, see appendix A). In terms of Standards compliance, most CAE respondents (88%) indicated that their internal audit activities conformed with the Standards at least partially.

As for compliance with other standards or codes, fewer than half the CAE respondents (43%) indicated that part of their internal quality assessment and improvement programs included verification of compliance with other standards or codes. Further analysis by region reveals some differences. Seventy percent of CAE respondents from the Middle East and 60% from Latin America and Caribbean regions indicated that their programs included verification of compliance with other standards or codes (see exhibit 3.14). By contrast, 35% of the CAE respondents from Western Europe indicated that their programs included such verifications.
SECTION 4  SUMMARY AND CONCLUSIONS

This chapter summarizes the main conclusions reached for each key element and identifies opportunities for improving public sector internal audit activities.

**Key Element #1: Organizational Independence**

Internal auditor respondents expressed a high degree of confidence in the independence of their internal audit activities. More than 90% of public sector CAEs agreed or strongly agreed that independence was a key factor for the internal audit activity to add value, and that their internal audit activities were independent, objective assurance and consulting activities within their organizations, regardless of the region. Also, about 77% of CAE respondents had top-level management involved in appointing them, and 81% had a direct administrative reporting relationship to the CEO or governing body.

However, a large number of respondents had not established some key components to facilitate the independence of the internal audit activity, such as establishment of an audit committee or its equivalent. There were large regional differences in this regard, with the U.S. and Canada having the highest percentage of audit committees (81%) and Europe-Central Asia having the lowest (10%). The global average was 53%. Finally, about one out of five respondents from all regions indicated that they had been subject to coercion to change a rating or assessment, or to withdraw a finding in an internal audit report.
Key Element #2: A Formal Mandate

About 77% of the respondents, across all regions, indicated that internal auditing was required by law or regulation where their organizations were based. The external regulatory environment impacts the capability of the internal audit activity; therefore, having a legal mandate may give more legitimacy to the internal audit activity.

With respect to other formal mandate documents, more respondents indicated that they had established internal audit charters (88%) than internal audit mission statements (59%), across all regions, although both are essential practices to help formalize the internal audit activity’s mandate within the organization.

Key Element #3: Unrestricted Access

The IIA’s 2010 Global Internal Audit Survey did not include specific data on this topic. However, about three-quarters of the CAE respondents agreed or strongly agreed that their internal audit activities had sufficient status in their organizations to be effective.

Key Element #4: Sufficient Funding

The 2010 Global Internal Audit Survey did not include data on this topic.

Key Element #5: Competent Leadership

In terms of CAE leadership experience, less than half of CAE respondents (40%) had more than six years of experience as a CAE in their current and previous organizations. It would seem prudent for public sector organizations to ensure that their CAEs have sufficient experience to increase leadership capacity and credibility of their internal audit activities.

With respect to professional certifications relevant to internal auditing, 71% of CAE respondents indicated that they had professional certifications in this area. The Certified Internal Auditor (CIA) was the professional certification held by most of the CAE respondents. The Certified Government Audit Professional (CGAP) was the third most cited certification.

This survey also provided information about which general competencies and behavioral skills CAEs described as most important to perform their work in the public sector. The three general competencies most often selected as most important were:

- Ability to promote the value of the internal audit activity within the organization
- Communication skills (including oral, written, report writing, and presentation skills)
- Keeping up-to-date with industry and regulatory changes and professional standards

Key Element #6: Objective Staff

Almost all CAE respondents agreed or strongly agreed that objectivity was a key factor for their internal audit activities to add value. This statement was further confirmed when 78% of the CAE respondents selected objective behavioral skills such as objectivity and/or governance and ethics sensitivity as one of the five most important behavioral skills necessary for the internal audit staff (see exhibit 3.10).
**Key Element #7: Competent Staff**

Approximately half the internal audit respondents at staff level indicated that they had professional certifications relevant to internal auditing. Similar to the major certifications for CAEs, the CIA and public accountancy certifications were the most common certifications. The CGAP certification took fifth position.

This study also noted that internal audit staff respondents held fewer professional certifications than did CAE respondents, regardless the region. Efforts to further encourage internal audit staff to become professionally certified are strongly recommended for all regions.

In terms of formal training, about three quarters of the internal audit staff respondents in the public sector indicated they had at least 40 hours of training per year.

Objectivity is a behavioral skill that is critical for successful internal audit activities, and 70% of CAE respondents acknowledged it as one of the five most important behavioral skills for internal audit staff (see exhibit 3.10).

**Key Element #8: Stakeholder Support**

The IIA’s 2010 Global Internal Audit Survey did not include specific questions about stakeholder support, but there was a relevant question regarding internal audit credibility. About 89% of the CAE respondents agreed or strongly agreed that their internal audit activities were credible within their organizations.

**Key Element #9: Professional Audit Standards**

Almost 80% of CAE respondents agreed or strongly agreed that conformance with the Standards was a key factor for their internal audit activities to add value to the governance process, regardless of the region. Nearly 90% of CAE respondents also indicated that they conformed at least partially with the Standards.

**OPPORTUNITIES FOR OVERALL IMPROVEMENT**

This study identified strengths and opportunities for improvement, based on the nine key elements framework, which will enable more effective internal audit performance in the public sector. Internal audit professionals and stakeholders can benchmark their internal audit activities against such strengths and areas for improvement, and take the necessary steps to ensure the identified elements are embedded within their internal audit activities.

Some of the internal audit elements may be more challenging to implement. They may be affected by external environmental and internal organizational factors, including organizational leadership and the regulatory environment. Implementation of these elements may also be more challenging to public sector organizations because their administrative environments are generally subjected to more institutional, administrative, and political pressures than are business or private sector organizations.

It is important that internal audit activities assess each element to identify those essential practices that need strengthening, and whether or not it is feasible to do so in their organizations and environments.
**APPENDIX A REGIONAL SCORES FOR THE NINE KEY ELEMENTS**

*Note:* This table is based on information from The IIA’s 2010 Global Internal Audit Survey. The statistics in this table represent the percentage of public sector respondents who affirmed that the activity or condition described in the survey question was represented in their organization. These measures cover the nine key elements for an effective public sector audit activity as described in The IIA’s supplemental guidance, *The Role of Auditing in Public Sector Governance*, 2nd edition.

The column labelled “n valid” shows how many respondents answered the particular question. Questions with responses of 645 or less were answered only by public sector CAEs. Questions with more respondents were answered by all staff levels of public sector internal auditors.

<table>
<thead>
<tr>
<th>Key Element 1: Organizational Independence</th>
<th>2010 Survey Question Number</th>
<th>Africa</th>
<th>Asia Pacific</th>
<th>Europe-Central Asia</th>
<th>Latin America and Caribbean</th>
<th>Middle East</th>
<th>United States and Canada</th>
<th>Western Europe</th>
<th>Total Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence is a key factor for the internal audit activity to add value</td>
<td>25b</td>
<td>90%</td>
<td>89%</td>
<td>87%</td>
<td>98%</td>
<td>100%</td>
<td>93%</td>
<td>94%</td>
<td>635</td>
</tr>
<tr>
<td>Internal auditors subject to coercion</td>
<td>40c</td>
<td>31%</td>
<td>26%</td>
<td>26%</td>
<td>19%</td>
<td>23%</td>
<td>13%</td>
<td>24%</td>
<td>2802</td>
</tr>
<tr>
<td>Top-level management involved in the appointment of the CAE</td>
<td>17a</td>
<td>77%</td>
<td>75%</td>
<td>76%</td>
<td>71%</td>
<td>80%</td>
<td>80%</td>
<td>79%</td>
<td>645</td>
</tr>
<tr>
<td>Audit committee involved in the appointment of the CAE</td>
<td>17a</td>
<td>41%</td>
<td>47%</td>
<td>6%</td>
<td>15%</td>
<td>30%</td>
<td>40%</td>
<td>15%</td>
<td>645</td>
</tr>
<tr>
<td>Direct administrative reporting relationship to CEO or governing body</td>
<td>9</td>
<td>92%</td>
<td>82%</td>
<td>81%</td>
<td>82%</td>
<td>80%</td>
<td>79%</td>
<td>79%</td>
<td>645</td>
</tr>
<tr>
<td>Audit committee or equivalent established</td>
<td>19</td>
<td>69%</td>
<td>71%</td>
<td>10%</td>
<td>53%</td>
<td>50%</td>
<td>81%</td>
<td>41%</td>
<td>645</td>
</tr>
<tr>
<td>Appropriate access to the audit committee</td>
<td>21a</td>
<td>91%</td>
<td>94%</td>
<td>70%</td>
<td>92%</td>
<td>80%</td>
<td>90%</td>
<td>94%</td>
<td>336</td>
</tr>
<tr>
<td>Internal audit activity is independent, objective assurance, and consulting</td>
<td>25b</td>
<td>81%</td>
<td>88%</td>
<td>86%</td>
<td>94%</td>
<td>80%</td>
<td>93%</td>
<td>96%</td>
<td>645</td>
</tr>
</tbody>
</table>
## Nine Elements Required for Internal Audit Effectiveness in the Public Sector

### Key Element 2: A Formal Mandate

<table>
<thead>
<tr>
<th>2010 Survey Question Number</th>
<th>Africa</th>
<th>Asia Pacific</th>
<th>Europe-Central Asia</th>
<th>Latin America and Caribbean</th>
<th>Middle East</th>
<th>United States and Canada</th>
<th>Western Europe</th>
<th>Total Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal auditing is required by law or regulation where the organization is based</td>
<td>48</td>
<td>86%</td>
<td>70%</td>
<td>92%</td>
<td>89%</td>
<td>70%</td>
<td>66%</td>
<td>77%</td>
</tr>
<tr>
<td>Internal audit charter established</td>
<td>16</td>
<td>88%</td>
<td>93%</td>
<td>95%</td>
<td>72%</td>
<td>70%</td>
<td>95%</td>
<td>85%</td>
</tr>
<tr>
<td>Internal audit mission statement established</td>
<td>16</td>
<td>64%</td>
<td>59%</td>
<td>49%</td>
<td>69%</td>
<td>70%</td>
<td>84%</td>
<td>38%</td>
</tr>
<tr>
<td>Internal audit team involved in the formal reporting of results</td>
<td>41</td>
<td>94%</td>
<td>91%</td>
<td>96%</td>
<td>91%</td>
<td>80%</td>
<td>96%</td>
<td>93%</td>
</tr>
</tbody>
</table>

### Key Element 3: Unrestricted Access

|  | 2010 Survey Question Number | Africa | Asia Pacific | Europe-Central Asia | Latin America and Caribbean | Middle East | United States and Canada | Western Europe | Total Public Sector |
|-----------------------------|--------|--------------|---------------------|-----------------------------|-------------|--------------------------|----------------|---------------------|
| Sufficient status in the organization to be effective | 25b    | 72%          | 79%                 | 70%                         | 85%         | 100%                     | 76%            | 77%                 | 645 76%           |

### Key Element 5: Competent Leadership

<table>
<thead>
<tr>
<th>2010 Survey Question Number</th>
<th>Africa</th>
<th>Asia Pacific</th>
<th>Europe-Central Asia</th>
<th>Latin America and Caribbean</th>
<th>Middle East</th>
<th>United States and Canada</th>
<th>Western Europe</th>
<th>Total Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAE professional certification(s) in internal audit</td>
<td>6</td>
<td>73%</td>
<td>76%</td>
<td>70%</td>
<td>47%</td>
<td>80%</td>
<td>91%</td>
<td>59%</td>
</tr>
<tr>
<td>CAE has senior experience as a CAE or equivalent</td>
<td>8</td>
<td>41%</td>
<td>40%</td>
<td>25%</td>
<td>60%</td>
<td>33%</td>
<td>45%</td>
<td>39%</td>
</tr>
<tr>
<td>Ability to promote the value of the internal audit activity within the organization</td>
<td>46</td>
<td>89%</td>
<td>88%</td>
<td>83%</td>
<td>82%</td>
<td>70%</td>
<td>93%</td>
<td>89%</td>
</tr>
<tr>
<td>Communication skills</td>
<td>46</td>
<td>67%</td>
<td>68%</td>
<td>71%</td>
<td>66%</td>
<td>40%</td>
<td>80%</td>
<td>69%</td>
</tr>
<tr>
<td>Keeping up-to-date with industry and regulatory changes and professional standards</td>
<td>46</td>
<td>77%</td>
<td>47%</td>
<td>50%</td>
<td>47%</td>
<td>50%</td>
<td>70%</td>
<td>63%</td>
</tr>
<tr>
<td>Conflict resolution/negotiation skills</td>
<td>46</td>
<td>33%</td>
<td>59%</td>
<td>43%</td>
<td>43%</td>
<td>50%</td>
<td>61%</td>
<td>53%</td>
</tr>
<tr>
<td>Problem identification and solution skills</td>
<td>46</td>
<td>50%</td>
<td>47%</td>
<td>53%</td>
<td>56%</td>
<td>20%</td>
<td>40%</td>
<td>48%</td>
</tr>
</tbody>
</table>

### Key Element 6: Objective Staff

<table>
<thead>
<tr>
<th>2010 Survey Question Number</th>
<th>Africa</th>
<th>Asia Pacific</th>
<th>Europe-Central Asia</th>
<th>Latin America and Caribbean</th>
<th>Middle East</th>
<th>United States and Canada</th>
<th>Western Europe</th>
<th>Total Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectivity is a key factor for your internal audit activity to add value</td>
<td>25b</td>
<td>95%</td>
<td>94%</td>
<td>95%</td>
<td>100%</td>
<td>90%</td>
<td>94%</td>
<td>98%</td>
</tr>
<tr>
<td>Key Element 7: Competent Staff</td>
<td>2010 Survey Question Number</td>
<td>Africa</td>
<td>Asia Pacific</td>
<td>Europe-Central Asia</td>
<td>Latin America and Caribbean</td>
<td>Middle East</td>
<td>United States and Canada</td>
<td>Western Europe</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------</td>
<td>--------</td>
<td>-------------</td>
<td>---------------------</td>
<td>-----------------------------</td>
<td>------------</td>
<td>------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Conformance with The IIA's Code of Ethics</td>
<td>25b</td>
<td>70%</td>
<td>79%</td>
<td>77%</td>
<td>74%</td>
<td>100%</td>
<td>89%</td>
<td>71%</td>
</tr>
<tr>
<td>Objective and/or governance and ethics sensitivity</td>
<td>44</td>
<td>83%</td>
<td>79%</td>
<td>82%</td>
<td>84%</td>
<td>80%</td>
<td>72%</td>
<td>77%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Element 8: Stakeholder Support</th>
<th>2010 Survey Question Number</th>
<th>Africa</th>
<th>Asia Pacific</th>
<th>Europe-Central Asia</th>
<th>Latin America and Caribbean</th>
<th>Middle East</th>
<th>United States and Canada</th>
<th>Western Europe</th>
<th>Total Public Sector n valid</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The internal audit activity is credible within the organization</td>
<td>25b</td>
<td>83%</td>
<td>91%</td>
<td>79%</td>
<td>95%</td>
<td>100%</td>
<td>90%</td>
<td>93%</td>
<td>628</td>
<td>89%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Element 9: Professional Audit Standards</th>
<th>2010 Survey Question Number</th>
<th>Africa</th>
<th>Asia Pacific</th>
<th>Europe-Central Asia</th>
<th>Latin America and Caribbean</th>
<th>Middle East</th>
<th>United States and Canada</th>
<th>Western Europe</th>
<th>Total Public Sector n valid</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conformance with the Standards is seen as a key factor for the internal audit activity to add value to the governance process</td>
<td>25b</td>
<td>87%</td>
<td>76%</td>
<td>82%</td>
<td>91%</td>
<td>90%</td>
<td>77%</td>
<td>73%</td>
<td>633</td>
<td>79%</td>
</tr>
</tbody>
</table>
### Nine Elements Required for Internal Audit Effectiveness in the Public Sector

#### 2010 Survey

<table>
<thead>
<tr>
<th>Question Number</th>
<th>Africa</th>
<th>Asia Pacific</th>
<th>Europe-Central Asia</th>
<th>Latin America and Caribbean</th>
<th>Middle East</th>
<th>United States and Canada</th>
<th>Western Europe</th>
<th>Total Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit activity conforms to some or all of the Standards</td>
<td>32</td>
<td>88%</td>
<td>90%</td>
<td>88%</td>
<td>85%</td>
<td>80%</td>
<td>93%</td>
<td>84%</td>
</tr>
<tr>
<td>Verification of compliance with other standards and codes</td>
<td>38</td>
<td>44%</td>
<td>49%</td>
<td>40%</td>
<td>60%</td>
<td>70%</td>
<td>41%</td>
<td>35%</td>
</tr>
</tbody>
</table>

*aThis response only includes public sector CAEs who indicated the presence of an audit committee in their organizations.

*bSenior experience was defined as having more than six years of experience as a CAE.

*cThe score for this item reflects the percentage of public sector CAE respondents who chose this skill as one of the five most important general skills for a CAE.

*dThe score for this item reflects the percentage of public sector CAE respondents who indicated “very important” for this skill.
Periodicals/Articles


Books


Nine Elements Required for Internal Audit Effectiveness in the Public Sector


**Other**

Council of Europe Local and Regional Democracy. *Internal Audit at Local and Regional Level*, report, 1999.


The Institute of Internal Auditors Research Foundation. *Internal Audit Capability Model (IA-CM) for the Public Sector*, The Institute of Internal Auditors Research Foundation, September 2009.


**Website**

APPENDIX C COUNTRIES IN THE SEVEN GEOGRAPHICAL REGIONS

Note: These seven regions were developed as part of the 2010 projects for the Global Internal Audit Common Body of Knowledge (CBOK). The groupings were carefully defined to bring together political states with similar economic histories and current economic conditions because these factors would impact the nature of internal audit activities in those states.

1. The Africa region includes:
   - Algeria
   - Angola
   - Benin
   - Botswana
   - Burkina Faso
   - Burundi
   - Cameroon
   - Cape Verde
   - Central African Republic
   - Chad
   - Comoros
   - Congo
   - Congo, Dem. Rep. of
   - Djibouti
   - Equatorial Guinea
   - Eritrea
   - Ethiopia
   - Gabon
   - Gambia
   - Ghana
   - Guinea
   - Guinea-Bissau
   - Ivory Coast
   - Kenya
   - Lesotho
   - Liberia
   - Madagascar
   - Malawi
   - Mali
   - Mauritania
   - Mauritius
   - Morocco
   - Mozambique
   - Namibia
   - Niger
   - Nigeria
   - Rwanda
   - São Tomé and Príncipe
   - Senegal
   - Seychelles
   - Sierra Leone
   - Somalia
   - South Africa
   - Sudan
   - Swaziland
   - Tanzania
   - Togo
   - Tunisia
   - Uganda
   - Zambia
   - Zimbabwe

2. The Asia Pacific region includes:
   - Afghanistan
   - Australia
   - Bangladesh
   - Bhutan
   - Brunei
   - Burma (Myanmar)
   - Cambodia
   - China
   - Chinese Taiwan
   - East Timor
   - Fiji
   - Hong Kong, China
   - India
   - Indonesia
   - Japan
   - Kiribati
   - Korea, North
   - Korea, South
   - Laos
   - Malaysia
   - Maldives
   - Marshall Islands
   - Micronesia
   - Mongolia
   - Nauru
   - Nepal
   - New Zealand
   - Pakistan
   - Palau
   - Papua New Guinea
   - Philippines
   - Samoa
   - Singapore
   - Solomon Islands
   - Sri Lanka
   - Thailand
   - Tonga
   - Tuvalu
   - Vanuatu
   - Vietnam

3. The Europe and Central Asia region includes:
   - Albania
   - Armenia
   - Azerbaijan
   - Belarus
   - Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Estonia
Georgia
Hungary
Kazakhstan
Kyrgyzstan
Latvia
Lithuania
Macedonia
Moldova
Montenegro
Poland
Romania
Russia
Serbia
Slovakia
Slovenia
Tajikistan
Turkey
Turkmenistan
Ukraine
Uzbekistan

4. The Latin America and the Caribbean region includes:
Antigua and Barbuda
Argentina
Aruba
Bahamas
Barbados
Belize
Bermuda
Bolivia
Brazil
Chile
Colombia
Costa Rica
Curacao
Cuba
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Puerto Rico
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Suriname
Trinidad and Tobago
Turks & Caicos
Uruguay
Venezuela

5. The Middle East region includes:
Bahrain
Egypt
Iran
Iraq
Israel
Jordan
Kuwait
Lebanon
Libya
Oman
Qatar
Saudi Arabia
Syria
United Arab Emirates
Yemen

6. The United States and Canada region includes:
United States
Canada

7. The Western Europe region includes:
Andorra
Austria
Belgium
Cyprus
Denmark
Finland
France
Germany
Greece
Iceland
Ireland
Italy
Liechtenstein
Luxembourg
Malta
Monaco
Netherlands
Norway
Portugal
San Marino
Spain
Sweden
Switzerland
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APPENDIX D  THE NINE KEY ELEMENTS FOR AN EFFECTIVE PUBLIC SECTOR AUDIT ACTIVITY

Note: The following material was excerpted from The IIA’s supplemental guidance titled *The Role of Auditing in Public Sector Governance, 2nd* edition.

An effective public sector audit activity strengthens governance by materially increasing citizens’ ability to hold their public sector entity accountable. Auditors perform an especially important function in those aspects of governance that are crucial in the public sector for promoting credibility, equity, and appropriate behavior of public sector officials, while reducing the risk of public corruption. Therefore, it is crucial that audit activities are configured appropriately and have a broad mandate to achieve these objectives. The audit activity must be empowered to act with integrity and produce reliable services, although the specific means by which auditors achieve these goals vary. At a minimum, public sector audit activities need:

**Organizational independence.** Organizational independence allows the audit activity to conduct work without interference by the entity under audit. The audit activity should have sufficient independence from those it is required to audit so that it can both conduct and be perceived to conduct its work without interference. Coupled with objectivity, organizational independence contributes to the accuracy of the auditors’ work and the ability to rely on reported results. Independence is greatly impacted by how a CAE is appointed and can be terminated. The International Professional Practices Framework (IPPF) Practice Advisory 1110-1 states that “the CAE, reporting functionally to the board and administratively to the organization’s chief executive officer, facilitates organizational independence.” Important parts of this independence are the CAE’s ability to be protected from management or political interference or retaliation resulting from carrying out legitimate duties in accordance with the Standards. The CAE also should be free to staff the audit activity without interference from management or undue political influence from public officials.

**A formal mandate.** The audit activity’s powers and duties should be established by the public sector’s constitution, charter, or other basic legal document. Among other topics, this document would address procedures and requirements of reporting and the obligation of the audited entity to collaborate with the auditor.

**Unrestricted access.** Audits should be conducted with complete and unrestricted access to employees, property, and records as appropriate for the performance of the audit activities.

**Sufficient funding.** The audit activity must have sufficient funding relative to the size of its audit responsibilities. This important element should not be left under the control of the organization being audited, because the budget impacts the audit activity’s capacity to perform its audit responsibilities.
**Competent leadership.** The head of the audit activity must be able to independently and effectively recruit, retain, and manage highly skilled staff without undue managerial or political influence. The leader should be knowledgeable of applicable audit standards, professionally qualified—preferably certified—and competent to oversee and manage an audit activity. Moreover, the CAE should be an articulate public spokesperson for the audit activity.

**Objective staff.** An audit activity’s staff must be objective. Audit staff must have impartial attitudes and avoid any conflict of interest. Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. A conflict of interest may exist even if no unethical or inappropriate act results. Such a conflict can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. Moreover, a conflict of interest could impair an individual’s ability to perform audit duties and responsibilities objectively.

**Competent staff.** The audit activity needs a professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate. Auditors must comply with minimum continuing education requirements established by their relevant professional organizations and standards.

**Stakeholder support.** The legitimacy of the audit activity and its mission should be understood and supported by a broad range of elected and appointed public sector officials, as well as the media and involved citizens.

**Professional audit standards.** Professional audit standards, such as the International Professional Practices Framework (IPPF) promulgated by The Institute of Internal Auditors, support the implementation of the previous elements and provide a framework to promote quality audit work that is systematic, objective, and based on evidence. Just as many public sector entities have adopted internal control standards—either as requirements or guidance for public sector managers—audit activities should conduct their work in accordance with recognized standards.

**NOTES**

1. In terms of data analysis, the non-responses were considered as valid answers for most questions. In other words, the non-responses were interpreted as absences of the related essential practice or key element. The inclusion of non-responses as valid answers has a minor effect on the statistical results, because most of the 2010 GIAS questions selected in the study framework have a very low non-response rate.
The authors of this report also used the same data analysis methods in their second forthcoming research report from The IIA Research Foundation titled *Internal Audit Capabilities and Performance Levels in the Public Sector*. In particular, in cases where the same survey questions were referenced in both studies, both reports used the same data analysis approach and provided similar statistical results.

The nine key elements framework supports some essential internal audit practices identified in the IA-CM report and goes further on some topics such as internal audit staff independence, objectivity, and CAE leadership.

2. The *Internal Audit Capability Model (IA-CM) for the Public Sector* uses a building-block approach to improve the effectiveness of an internal audit activity; that is to say: essential practices at lower capability levels must be implemented and sustainable to establish the foundation for practices at the higher levels. Internal audit professionals and stakeholders will need to use judgment when identifying which essential practices need to be improved to ensure that the necessary foundation is established to implement practices at higher levels. In contrast, all nine key elements included in the effective public sector audit activity framework are of equal importance and must exist for the audit activity to be effective.

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IIA–Lehigh Valley Chapter
IIA–Long Island Chapter
IIA–Miami Chapter
IIA–Northern California East Bay Chapter
IIA–Northwest Metro Chicago Chapter
IIA–Ocean State Chapter
IIA–Pittsburgh Chapter
IIA–Sacramento Chapter
IIA–San Antonio Chapter
IIA–San Gabriel Chapter
IIA–San Jose Chapter
IIA–Southern New England Chapter
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