

INTERNATIONAL STANDARD FOR SUPREME AUDIT INSTITUTIONS (ISSAI) 150

AUDITOR COMPETENCE

INTRODUCTION

1. The ability of a Supreme Audit Institution(SAI) to fulfil its mandate and conduct high-quality, effective audits depends to a large extent on the quality, integrity and competence of its staff. The competency requirements of auditors, as well as how to recruit, manage, develop and assess them, are and have always been of fundamental importance to a SAI.
2. Auditing standards give structure to the execution of a SAI's mandate and work, but these can only be implemented by staff with the appropriate competencies. The inclusion of a pronouncement on auditor competence in the *INTOSAI Framework of Professional Pronouncements* (IFPP) underlines the fact that the need for competent auditors is an integral part of a SAI's identity, professionalism, credibility and relevance.
3. It is important that the leadership of the SAI assigns sufficient strategic importance to setting up and maintaining a sound framework for auditor competence. For it to succeed, this framework should be integrated into the SAI's culture, strategies, functions, policies and procedures. The SAI leadership should also encourage individual auditors to commit to taking responsibility for their own development in the context of life-long learning.
4. ISSAI 150 is intended to be used in conjunction with other ISSAIs and with due consideration of SAIs' mandates, enabling legislation, structure, size and other considerations. This follows ISSAI 100, which recognises that a SAI may choose to adopt the ISSAIs as the authoritative standards that will determine the execution of its work, or use the ISSAIs as a basis to develop own standards or to adopt consistent national standards. Given the inherent evolutionary nature of the process of competency development, SAIs should be able to adhere to the principles of auditor competence with relative ease, and move towards closer alignment in the longer term. In this regard, this ISSAI cites the motto "global profession, local solution", often associated with INTOSAI's capacity development initiatives.

SCOPE

5. The purpose of ISSAI 150 – *Auditor Competence* – is to set out the principles that a SAI should follow in determining auditor competencies, as well as the recruitment, development, maintenance and assessment thereof.
6. ISSAI 150 addresses competency requirements of auditors in the areas of financial auditing, performance auditing and compliance auditing, while also recognising the unique considerations of SAIs with jurisdictional responsibilities.
7. The IFPP includes many pronouncements which refer to the concept of auditor competence. ISSAI 150 aims to bring together all such references at the level of the organisational requirements. It should be used in conjunction with statements in the fundamental principles of public sector auditing (ISSAI 100), quality control for SAIs (ISSAI 140), auditing principles (ISSAI 200 and beyond) and auditing standards (ISSAI 2000 and beyond).

OVERVIEW

8. In the introductory comments to ISSAI 100 – *Fundamental Principles of Public-Sector Auditing* – professional pronouncements (standards and guidelines) are described as essential for the credibility, quality and professionalism of public-sector auditing.
9. Professional pronouncements alone, however, cannot enable a SAI to deliver on its mandate and make a difference to the lives of citizens. It requires all the elements of professionalism that have been described by INTOSAI over the past number of years, namely:
 - a) an appropriate working environment;
 - b) auditing standards and guidelines to give effect to the SAI's mandate;
 - c) competent people to execute the mandate in line with the auditing standards and guidelines; and

- d) a holistic performance measurement process to ensure that the above is in place and functioning appropriately and effectively.

10. ISSAI 150 sets out four principles underpinning a SAI's responsibilities towards auditor competence, together with appropriate application guidance. These principles relate to the way in which a SAI should:

- a) determine competencies for auditors within its organisational strategy;
- b) put in place processes to ensure the appropriate competence for auditors;
- c) develop pathways for initial and continuing professional development of auditors; and
- d) set up and implement an assessment of auditor competencies.

The GUID 7500-7900 series provides guidance to support these principles.

ELEMENTS OF AUDITOR COMPETENCE

11. **Competence** is the measurable or observable knowledge, skills and personal attributes critical to successful job performance, where:
- a) knowledge is the theoretical or practical understanding of a topic;
 - b) skills are the abilities developed through learning or experience; and
 - c) personal attributes are the qualities, characteristics and traits of a person.
12. A **competency framework or profile** is a conceptual model that details and defines the ideal competencies expected of an individual auditor for a specific task and for a specific position within an organisation. While competency frameworks need to be largely stable, predictable and certain in the short term, they need to be dynamic in nature in the long term, reflecting the expectations of an ever-changing world. They seek to define the elements needed to drive success and high performance, and will change depending on the circumstances.
13. A **pathway for professional development** is a formalised, structured development programme chosen by a SAI and aimed at developing and maintaining competent, professional auditors in the SAI.

PRINCIPLES UNDERPINNING A SAI'S RESPONSIBILITIES TOWARDS AUDITOR COMPETENCE

PRINCIPLE 1

14. **A SAI should, within its organisational strategy, determine relevant competencies required for all auditors.**

Application guidance

15. A SAI's organisational strategy spells out the way in which the SAI will translate its mandate into action through auditing to the benefit of citizens. An important part of the strategy deals with the human resourcing of the organisation and especially its audit capacity.
16. Competent auditors are a prerequisite for ensuring that a SAI fulfils its legislated mandate and addresses the challenges of the environment in which audits will take place, and remains relevant in an ever-changing world.
17. In pronouncing on the competency needs of a SAI and dealing with the means of recruitment and development of auditor competence, the SAI leadership elevates competence as one of the cornerstones of the credibility of the SAI's work.
18. It is good practice to describe these competencies in a competency framework or a competency profile, at the level of full proficiency. At minimum it will be important to describe the competencies of an auditor that is fully proficient to manage an audit in line with the auditing standards that the SAI has adopted.
19. The extent of documenting competencies for auditors will depend on many factors within the SAI, including access to relevantly qualified human resources, size of the SAI, cost and cost-effectiveness considerations, the envisaged return on investment related to competence development, etc. It is good practice to develop separate competency profiles per type of position throughout the organisation, but it can also be done in groups, broad categories or team context. Alternatively, the SAI may consider using job profiles – a short statement that links job requirements to competencies – to expand on its overall detailed competency description.

20. Elements to consider when determining the competencies required of an individual auditor, audit team or the grouping of positions within a specific SAI, include:
- a) competencies which are unique to the role of a public-sector auditor, defined by the specific audit responsibilities associated with the auditing standards that the SAI has adopted;
 - b) competencies that are unique to the SAI (determined by its enabling legislation, mandate, strategy, etc.); and
 - c) the SAI's strategic thinking about an appropriate foundation of personal qualities and values, as well as underlying knowledge and skills necessary to ensure the appropriate application of the two groups of competencies referred to above.
21. The determination of competencies in a SAI is also impacted by career progression. Where technical competence may be the overriding consideration at the start of an auditor's career, managerial and leadership competencies may become increasingly important as the auditor progresses career-wise. The SAI needs to find an appropriately practical way to reflect this progression in its documentation of competencies.

PRINCIPLE 2

22. **A SAI should have appropriate organisational processes, in particular human resource management processes and practices, to ensure the appropriate competence of its auditors.**

Application guidance

23. To attract, develop and maintain the competence of individual auditors, the SAI will require a strategy for and investment in institutional capacity development. This will definitely impact on certain human resource management practices and processes within a SAI, including the following:
- a) Human resource management strategy;
 - b) Human resource planning;

- c) Attraction and recruitment;
- d) Performance management;
- e) Learning and development;
- f) Reward and recognition; and
- g) Retention, replacement and succession,

to the extent that the SAI has control over these processes. Where the SAI does not have control over these processes (such as instances where these will be handled by a central government-controlled human resource function), it will benefit the SAI to proactively communicate its needs to the entity handling these on its behalf and influence these processes to fit its needs.

24. The expectation of SAI leadership to have access to competent resources to give effect to the mandate of the SAI also implies an investment in individual capacity development and creating a culture of life-long learning in the organisation. This can be in the form of:

- a) investing in the education of auditors through the availability of scholarships, bursaries or by other similar means;
- b) providing access, internally or externally, to relevant training interventions;
- c) providing specifically structured practical experience opportunities;
- d) providing access to regularly updated audit manuals;
- e) providing opportunities for on-the-job training, supervision and feedback mechanisms;
- f) providing access to appropriate coaching and mentoring opportunities; and/or
- g) providing opportunities for appropriate knowledge sharing.

PRINCIPLE 3

- 25. A SAI should develop dedicated pathways for professional development of auditors, specifically tailored to the SAI's mandate and needs. These pathways should reflect the need for initial professional development and continuing professional development.**

Application guidance

26. The SAI's mandate, organisational strategy and organisational needs play a guiding role in the professional development options that a SAI will consider as appropriate for its circumstances. Options to consider may include:
- a) creating an own academy (or similar structure) to conduct professional education and training;
 - b) partnering directly with a university to deal with the educational element of a professional development pathway, while handling the other requirements on an in-house basis;
 - c) partnering with a professional accounting organisation (PAO) or similar provider to design and deliver professional development opportunities;
 - d) sourcing resources from a central government human resource function (such as a Public Service Commission, where certain human resource functions are handled on behalf of the SAI), supplemented by in-house audit-specific learning opportunities;
 - e) following a dedicated recruitment strategy focused on sourcing professionally qualified auditors, supplemented by in-house public-sector audit-specific learning opportunities; and/or
 - f) partnering with specific INTOSAI bodies or fellow SAIs to institutionalise professional development options.

27. In formalising its approach to developing the competence of auditors through a pathway for professional development, it is important to consider:
- a) developing competencies linked to the requirements of a specific position or task;
 - b) ensuring that competencies are maintained; and
 - c) ensuring that these competencies remain relevant to the rapidly changing challenges in the auditing environment (“future-proofing” the competencies).
28. All pathways for professional development contain appropriate elements of:
- a) external learning opportunities (such as a degree at a university, SAI academy or similar institution);
 - b) internal learning opportunities (such as specific training courses); and
 - c) practical experience.
29. The competencies related to a process of gaining proficiency to be able to audit in line with the adopted standards – referred to as a process of initial professional development (IPD) – should be clearly analysed in their sub-elements of knowledge, skill and personal attributes, as appropriate and relevant to the SAI, to the point where the detailed design and implementation of a related professional development programme, including assessment per specific competency, are possible.
30. In circumstances where the SAI is faced with conditions requiring external accreditation of auditors who have completed their IPD processes or require a form of “licence to audit”, these considerations should be taken into account during the design of the pathway for professional development.

31. A SAI should clearly set out the processes that will maintain and keep relevant the competencies of its auditors – referred to as continuing professional development (CPD). Considerations in this regard can include:

- a) output-driven expectations (proving a level of competence through assessment);
- b) input-driven expectations (investing in a certain number of hours of learning within a specific period of time); and/or
- c) confirming a level of competence (self-assessment).

PRINCIPLE 4

32. A SAI should develop and implement the means for assessment of competencies.

Application guidance

33. The definition of competence as a measurable or observable concept implies that any process of competence development includes an appropriate, relevant and preferably independent level of assessment of individual competence. Examples of such assessment include:

- a) submission of a portfolio of evidence;
- b) workplace observation by a supervisor;
- c) examinations and tests;
- d) staff appraisal systems, etc.

34. In assessing competence, it is important to confirm the auditor's successful development of competence, as well as to provide the SAI with reliable information around the success of development interventions undertaken and the impact of these interventions on the work of the SAI.

35. The principle of assessment should further extend to organisational level and therefore SAI practices for competence development should also be independently assessed at regular intervals.