

Internal auditing education: a comparison across countries

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The need for improving and regulating the education of internal auditors is being increasingly recognized

College and university programmes need to respond to changes in the perceived needs of society. Internal auditing is one area in which societal needs have altered dramatically in recent years. There has been increased recognition of the importance of internal auditing and its potential impact. The savings and loan scandals in the US, waste and overruns in government, and the fraud and losses reported almost daily in the financial press have contributed to the public's growing awareness of the problems which internal auditing can address. In the United Kingdom, the Bellinger Panel Report of 1970 and the 1981 report on the state of internal auditing in the government by the Committee of Public Accounts served as a starting point for increased recognition of the need for improving internal auditing and formalizing internal auditing education in the United Kingdom[1]. In the US, this increasing awareness is underscored by the recommendations relating to the need for and role of internal auditors in the 1987 *Report of the National Commission on Fraudulent Financial Reporting*[2]. The increased need for internal auditing has international as well as national implications, as witnessed by the growth of multinational corporations and joint ventures operating under differing governmental and cultural influences, the dramatic changes in world politics leading to the opening of new international markets, and the growing interest of individuals in investing in foreign as well as domestic companies.

These factors have influenced change in the Institute of Internal Auditors (IIA), the international organization for internal audit practitioners. Incorporated on 10 November 1941, during its first 50 years, the IIA has grown dramatically from one chapter with 24 charter members in 1941 to over 42,000 members worldwide in 1991. Internal auditors, in growing numbers, are demonstrating their belief in the importance of professionalism as they participate in educational and

research opportunities and attain certification as Certified Internal Auditors (CIAs).

Response of the educational system

How well have colleges and universities in various countries responded to this demonstrated need for more internal auditors and the increased importance of the professionalism of practitioners? How is internal auditing being handled in the accounting and auditing curricula of schools? A review of the literature provides insight into the changing status of internal auditing at colleges and universities around the world.

In the past, education and training in internal auditing tended to take place after an individual had already secured a position in internal auditing. Marketing of internal auditing as an important career path for the accounting or auditing students on college campuses was infrequent, and most organizations did not hire newly graduated students. Finding that the college curricula did not foster programmes specifically addressed towards preparing the future internal auditor, organizations often hired CPAs with experience as external auditors. Whether or not new internal auditors had this financial statement auditing background, they often had to use on-the-job training, self-study materials, and trial and error as primary means of obtaining internal audit training. Technical programmes and just "talking shop" at professional meetings have been another means of learning about internal audit practices and procedures.

Over the years, the IIA has offered relevant professional courses and seminars for internal auditors. Other professional organizations, such as the American Institute of Certified Public Accountants (AICPA) and some of the larger CPA firms, have provided professional development courses in internal auditing. In some cases, college and university faculties have developed courses in internal auditing to be offered on a limited basis. Some companies, especially larger ones, have had the resources to develop in-house courses for their internal auditors.

Publishers have entered the market with CIA review materials in hard copy, audio tape, and video tape form. For example, Irvin Gleim, the well-known author of CPA review materials, expanded his horizons to internal auditing; as of 1992, the Gleim *CIA Examination Review* text is in its fifth edition.

Internal auditing education: a historical perspective

This article describes and compares internal auditing education both between and within countries. Subtle, and not so subtle, differences exist in the way internal auditing courses and programmes have been designed.

Until the late 1970s and early 1980s, there were virtually no internal auditing programmes and few regular courses in internal auditing offered on college or university campuses. Of the 72 schools responding in a survey of American Assembly of Collegiate Schools of Business (AACSB) member schools, nine offered an internal auditing course while only ten addressed internal auditing as a minor component of regular auditing courses[3]. In the early 1980s when a mandatory two-year training programme for all new internal auditors was introduced in the UK, there was only one full-time specialist available in the area[1]. Another early study found that 44 US colleges and universities offered at least one internal auditing course; however, none had a formal internal auditing programme[4]. Since that time, recognition of the need for internal auditing courses has grown with the impetus of the Treadway Commission recommendations and the IIA's sponsorship of "target schools" for internal auditing education[5].

The comparatively small amount of class time devoted to internal auditing topics in particular, as opposed to general auditing concepts such as evidence and internal control, continues in many schools today. A 1992 survey report on internal auditing education in the United Kingdom indicated that, on average, only 4.9 per cent of teaching time was devoted to internal auditing. Three of the 15 schools that responded reported no coverage of internal auditing topics, while no school reported that internal auditing constituted more than 10 per cent of auditing teaching time[6].

Articles describing the education of accountants in the People's Republic of China are significant in that they contain no mention of internal auditing[7-9]. Furthermore, coverage of auditing is "a fairly recent addition to some provincial universities' curricula" [8, p. 187]. Since educational systems reflect society and its requirements, this inattention to auditing and internal auditing may be due in part to the long-time existence of a centralized economic system in China. Recent changes in the society which have promoted the move towards a

market-driven economy may alter the perceived educational needs as well.

Similarly, a recent article[10] on accounting education and practice in Thailand includes no mention of internal auditing. While licensed auditors in Thailand are subject to training, testing, and experience requirements similar to those in the United States, the fact that "the accounting profession is not perceived to be a prestigious profession in Thailand" and that there is a "low usage of accounting information in making business and economic decisions" [10, p. 265] may contribute to the absence of reference to internal auditing.

The Korean Accounting Association (KAA) has prepared two "model curricula" for students enrolled in the accounting programmes at Korean universities. Although both models include auditing, neither includes internal auditing as an option. As in Thailand, perhaps this lack of emphasis on internal auditing is due, at least in part, to the continuing societal view that "accounting is no more than glorified bookkeeping"[11, p. 86].

In Japan, the influence of culture on the auditing profession is perhaps even more profound. According to Burnaby *et al.*[12], "[i]nternal auditing is not actually recognized as a profession in Japan. The few Japanese companies that do have internal auditing departments give them low status; or they may exist in name only, for the sake of outsiders[12, p. 39]". Consequently, it is not surprising to find that educational, certification, and experience requirements are less for internal auditors in Japan.

Accounting education in the Soviet Union included a single 80-hour course entitled Auditing Revision and Control as part of the 1,536-hour accounting major within in a 4,830-hour, five-year curriculum[13]. The recent political, economic, and social changes in the former Soviet Union have undoubtedly rendered this particular curriculum obsolete.

Courses and programmes in internal auditing differ from country to country and from one institution to another. Internal auditing education can be described broadly as fitting into one of three forms, as follows:

- (1) *Part of a course.* Internal auditing is frequently taught as a relatively minor part of another accounting, auditing, or management course.
- (2) *Separate course.* Separate internal auditing course(s) may comprise a portion of a larger business, accounting, or auditing programme of study.
- (3) *Programme of study.* Development of internal auditing programmes as a separate course of study at either the undergraduate or postgraduate level is a growing practice. To a large extent, the

spread of internal auditing programmes is attributable to the IIA's efforts to establish target schools.

The curriculum and course content

In 1985 Brenner[14] looked at the differences among internal auditing programmes at a selected school in each of three countries: the Louisiana State University, Baton Rouge, United States (LSU-USA); City University Business School, London, England (CUBS-England); and, New South Wales Institute of Technology, Sydney, Australia (NSWIT-Australia). Comparatively, the LSU-USA pilot school has a strong core of accounting courses as its basis while the CUBS-England and NSWIT-Australia programmes are broader based with more emphasis on managerial areas such as management, quantitative methods, and computer science. In the IIA's Internal Auditing Pilot School at LSU-USA, students complete four internal audit-related courses, certain accounting and business core courses, and an IA internship[14]. As in the separate internal auditing programmes, subsequently established at the IIA target schools, an internship is an important requirement.

The importance and benefits of an internship or other experiential learning experiences, especially at the undergraduate level, have been discussed by several authors[15-17]. Recognition of the benefits of such an experience is reflected in the inclusion of an internship or other experiential project as a part of the programme of study in most countries.

The CUBS-England programme was developed in the early 1980s in response to a recognized need for additional specialized training for new and existing internal auditors. Beginning with a part-time two-year programme, CUBS-England expanded its offering to a full-time degree in 1988[18]. The current programme requires students to take six courses related to internal auditing and prepare a project paper in their final year. In addition, students complete foundation courses in business and accounting[14].

The NSWIT-Australia programme requires six core courses related to internal auditing including one internal auditing project. Beyond that, students take two courses in either a financial, governmental, or operational auditing to constitute a specialization within internal auditing[14].

At Massey University in New Zealand (MU-New Zealand), two undergraduate degrees and a postgraduate are available. The *Business Studies Degree* programme requires 21 papers (courses). The *Diploma in Business Studies*, which is the equivalent of a major area, requires six additional courses. The postgraduate or specialist programme comprises three papers in internal auditing, with the final one being an internal auditing project that "normally requires the design and conduct of an operational audit"[19].

Internal auditing students at Institut d'Administration des Entreprises of Aix-en-Provence in France (IAE-

Table 1. Internal auditing education: a comparison across countries – primary references

	United Kingdom	Australia	New Zealand	France	United States	Soviet Union
IA education	(1)	(1)	(3)	(4)	(1), (5) (6)	(9)
IA coverage in auditing courses	(2)				(8) (8)	
IA certification process	(1)	(1)	(3)		(1)	
Curricula/course content			(3)	(4)		
Internships				(4)	(7)	
(1) Brenner[14]			(6) Sumners[4]			
(2) Dunn and Walters[6]			(8) Greenawal[15]			
(3) Davis and Hamilton[19]			(9) Frakes[22]			
(4) Grand[20]			(10) Smith[23]			
(5) Brenner and Sumners[5]			(11) Ash[13]			

Table II. *Curricula course content*

(LSU-USA)	(CUBS-England)	(NSWIT-Australia)	(MU-New Zealand)	(IAE-France)
<i>Non-accounting courses:</i> Computer programming Management information systems Operations and information systems Quantitative methods (Statistics and management) Management principles and policies Business policies and problems Finance Marketing Economics Money, banking and macroeconomic	<i>Foundation courses:</i> Accounting Statistics Management Computer science Law <i>Additional courses:</i> IA principles IA practices Management (2) Operational auditing Computer auditing Final year project paper	<i>Core courses:</i> IA Theory EDP IA Practice IA Project IA Quantitative methods Management information systems <i>Speciality option:</i> A. Financial option (2 additional courses) B. Government option (2 additional courses) C. Operational option (2 additional courses)	<i>Business studies degree</i> 21 year-long papers (courses) Diploma in Business Studies 6 papers Postgraduate/specialist Internal auditing Operational and value-for- money auditing Internal auditing – design and conduct of operational audit	<i>Third period courses</i> IA methodology (30 hrs) Psychology (20 hrs) Financial statement auditing (30 hrs) Sampling and data analysis (20 hrs) EDP (30 hrs) Efficiency auditing (30 hrs) Logistics (30 hrs) Fifth period Internship (12-15 wks)
<i>Accounting courses:</i> Principles Intermediate (2 courses) Advanced Cost Auditing Tax				
<i>Internal auditing courses:</i> Accounting systems analysis and design IA (2 courses) EDP auditing Internship				
Source: Brenner[14]	Source: Brenner[14]	Source: Brenner[14]	Source: Davis et al[19]	Source: Grand[20]

France) complete seven specified courses during one of the six periods or segments of their programme. An internship for internal auditing takes place during another period. Each of the six periods, which are of unequal length (more akin to modules than to academic terms), focuses on a different aspect or topic; the entire programme lasts approximately one year[20].

Differences among students

Some of the differences in internal auditing education across countries are attributable to the characteristics of the students and the culture of the countries served by the programmes.

The Brenner study[14] described the LSU-USA pilot school in internal auditing as primarily a full-time,

daytime undergraduate programme for traditional-age students while the CUBS-England and NSWIT-Australia programmes were part-time, evening graduate programmes for older students. These older English and Australian students tended to be full-time employees and thus could draw on their work experience.

The internal auditing programme at IAE-France is designed for a small number of full-time graduate students. Most of these come straight to the programme from undergraduate accounting or computer science programmes. Students are required to be fluent in both French and English and are encouraged to be fluent in a third language[20].

Students at MU-New Zealand are a combination of full-time and part-time students. Courses are offered both on-campus and through distance teaching[19].

While the coverage of internal auditing at Chinese universities is scanty, the information reported on student acceptance and campus life is interesting. China has a three-tier system of universities. Universities are categorized based on: (1) the degree of national recognition the institution has achieved; and (2) the source of its funding. "Key" universities have the highest degree of recognition and are often funded by the national Ministry of Education. The second category of schools are run by other government ministries; the third category is funded by provincial governments. Admission is determined in part by a competitive national examination with key universities completing their selection of students first. Introductory courses usually have enrolments between 90 and 1,525 students; upper-level courses have between 24 and 950 students enrolled[8].

At a school such as Xiamen University, the Chinese student's experience gives the term full-time student a whole new meaning.

The lives of students, faculty, and staff revolve almost entirely around the University... [T]he University is like a small city and there is almost no reason to leave it... Most of the goods and services needed by this group of people [faculty, students, and staff] are also provided on campus[7].

Eight undergraduate students or four graduate students are assigned to a room that generally lacks amenities such as heat and hot water. Students generally enrol in five courses which meet for two hours twice a week for 20 to 22 weeks. Because of the large number of classroom hours, there is little outside work and students are usually in bed by 10 p.m.[7].

Developing new internal auditing programmes

Although there has been movement towards more formal internal auditing education at the college and university level, this move has not been universal. Programmes have tended to be developed at only one or a few schools in a country. In most cases where formal courses or programmes in internal auditing have been instituted, the intervention of professional organizations and/or other outside action has been an important influence. For example, in 1977, with the support and help of the French Institute of Internal Auditors (IFACI), the Institut d'Administration des Entreprises of Aix-en-Provence (Graduate Business School of the University of Aix-Marseille III) created an internal auditing programme at the postgraduate level[20].

In 1985 Louisiana State University established the first IIA Internal Auditing Pilot School, an undergraduate programme. Since that time, 14 other schools have become IIA-endorsed target schools with undergraduate and/or graduate programmes.

In New Zealand an IIA National Institute (IIA-NZ) was established in 1986. Soon after its establishment, the organization conducted an analysis of members of the profession. When many members were found to have little university education, establishing educational requirements for members of the profession became an important objective of the organization. Development of courses and programmes in internal auditing came about as a result of co-operative efforts between the IIA-NZ and Massey University.

To increase the level of professionalism among its members, the IIA-NZ organization set up a four-level system. *Level one* is familiarization and orientation and is usually done through seminars. *Level two* is the foundation for a professional career and is achieved through the business studies degree or the undergraduate diploma in business studies. Both degrees emphasize the importance of a knowledge of management. *Level three* comprises continuing professional development and, like Level one, is usually done through either short courses or seminars. The highest level, *Level four* is the specialist or postgraduate education which emphasizes internal, operational, value-for-money, comprehensive, and EDP auditing through specialist papers[19].

Conclusion

The increased importance of internal auditing has sparked response in the curricula of some colleges and universities around the world. Internal auditing courses and programmes differ from country to country and among institutions. These differences, based in part on the characteristics of the students served and cultural settings in which the institutions are located, are less important than the fact that steps are being taken to implement courses and programmes. The IIA, as the professional organization of internal auditors, continues to be an important catalyst for the evolving role of internal auditing in education. The availability of internal auditing courses and programmes worldwide is likely to expand at an increasing rate.

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