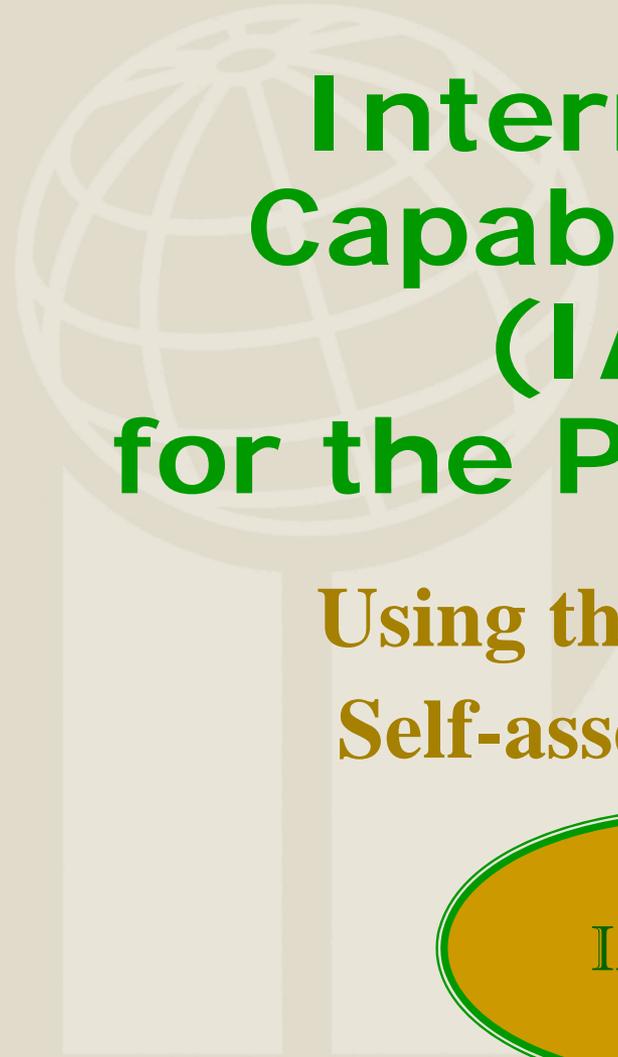# The Public Sector Internal Audit Capability Model (IA-CM)

Presented by

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Internal Audit Capability Model (IA-CM) for the Public Sector

Using the IA-CM as a Self-assessment Tool

IA-CM

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Agenda

IA-CM

- What is the IA-CM?
  - Underlying principles.
- Structure of the IA-CM.
- Self-assessment steps.
- Considerations.
- Communicate results.
- More information.

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What is the IA-CM?

IA-CM

- Communication vehicle.

- Framework for assessment.

- A road map for orderly improvement.

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Why Public Sector?

- Internal auditing (IA) varies widely from country to country.
- Differences in culture, management practices, and processes.
- Need for a governance model, including IA.
- Opportunities to:
  - Modernize/evolve IA.
  - Improve its effectiveness.
  - Deliver added value.
- Critical need for a developmental model, especially in developing countries.

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Underlying Principles

IA Activity's Obligations

- Be an integral component of effective governance in the public sector.
- Help organizations achieve their objectives and account for their results.

Organization's Obligations

- Determine optimum level of IA capability to support required governance structures.
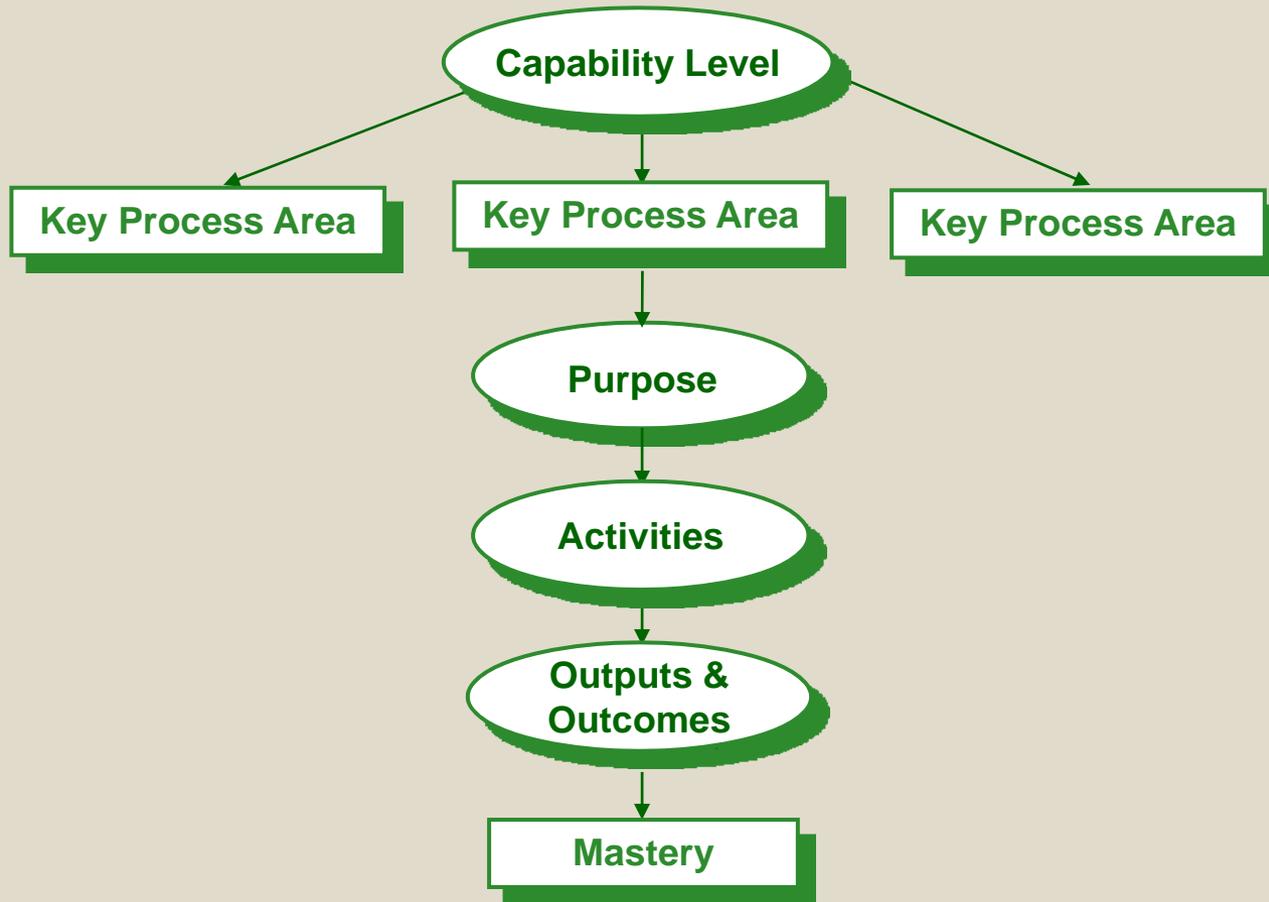- Achieve and maintain the desired capability.

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Underlying Principles

Selecting Optimum Capability

- Three variables:
  - Environment.
  - Organization.
  - IA activity.
- Different capability required.
- Auditing must be cost-effective.
- No "one size fits all."

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Structure of the IA-CM

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IA Capability Model Levels

IA-CM

IA learning from inside and outside the organization for continuous improvement

LEVEL 5
Optimizing

IA integrates information from across the organization to improve governance and risk management

LEVEL 4
Managed

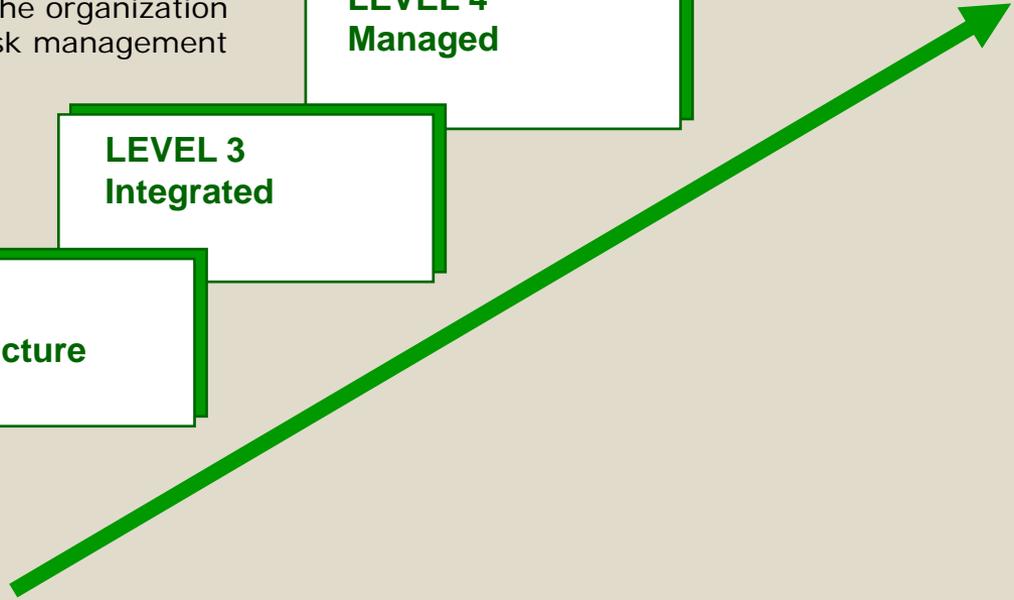IA management and professional practices uniformly applied

LEVEL 3
Integrated

Sustainable and repeatable IA practices and procedures

LEVEL 2
Infrastructure

No sustainable, repeatable capabilities – dependent upon individual efforts

LEVEL 1
Initial

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Why Levels?

- Different performance expectations and measures in current practice.

- Capability gets built in steps/stages.

- Need a common map/conceptual framework.

- Help select the capability level appropriate for an organization.

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IA Activity Elements

The IA activity consists of the following six elements:

- Services and role of IA.
- People management.
- Professional practices.
- Performance management and accountability.
- Organizational relationships and culture.
- Governance structures.

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Internal Audit Capability Model Matrix

IA-CM

	Services and Role of IA	People Management	Professional Practices	Performance Management and Accountability	Organizational Relationships and Culture	Governance Structures
Level 5 –Optimizing	IA Recognized as Key Agent of Change	Leadership Involvement with Professional Bodies Workforce Projection	Continuous Improvement in Professional Practices Strategic IA Planning	Public Reporting of IA Effectiveness	Effective and Ongoing Relationships	Independence, Power, and Authority of the IA Activity
Level 4 – Managed	Overall Assurance on Governance, Risk Management, and Control	IA Contributes to Management Development IA Activity Supports Professional Bodies Workforce Planning	Audit Strategy Leverages Organization's Management of Risk	Integration of Qualitative and Quantitative Performance Measures	CAE Advises and Influences Top-level Management	Independent Oversight of the IA Activity CAE Reports to Top-level Authority
Level 3 – Integrated	Advisory Services Performance/Value-for-Money Audits	Team Building and Competency Professionally Qualified Staff Workforce Coordination	Quality Management Framework Risk-based Audit Plans	Performance Measures Cost Information IA Management Reports	Coordination with Other Review Groups Integral Component of Management Team	Management Oversight of the IA Activity Funding Mechanisms
Level 2 – Infrastructure	Compliance Auditing	Individual Professional Development Skilled People Identified and Recruited	Professional Practices and Processes Framework Audit Plan Based on Management/Stakeholder Priorities	IA Operating Budget IA Business Plan	Managing within the IA Activity	Full Access to the Organization's Information, Assets, and People Reporting Relationship Established
Level 1 – Initial	Ad hoc and unstructured; isolated single audits or reviews of documents and transactions for accuracy and compliance; outputs dependent upon the skills of specific individuals holding the position; no specific professional practices established other than those provided by professional associations; funding approved by management, as needed; absence of infrastructure; auditors likely part of a larger organizational unit; no established capabilities; therefore, no specific key process areas					

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Using the IA-CM

IA-CM

- Not prescriptive — what should be done rather than how to do it.

- A universal model with comparability around principles, practices, and processes to improve IA and be applied globally.

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Self-assessment Steps

- Understand the IA-CM.
- Identify KPAs that appear to be institutionalized by the IA activity.
- Review documentation: IA activity, organization, and environment.
- Interview managers/stakeholders.
- Confirm actual KPAs institutionalized.
- Determine capability level.
- Communicate results.

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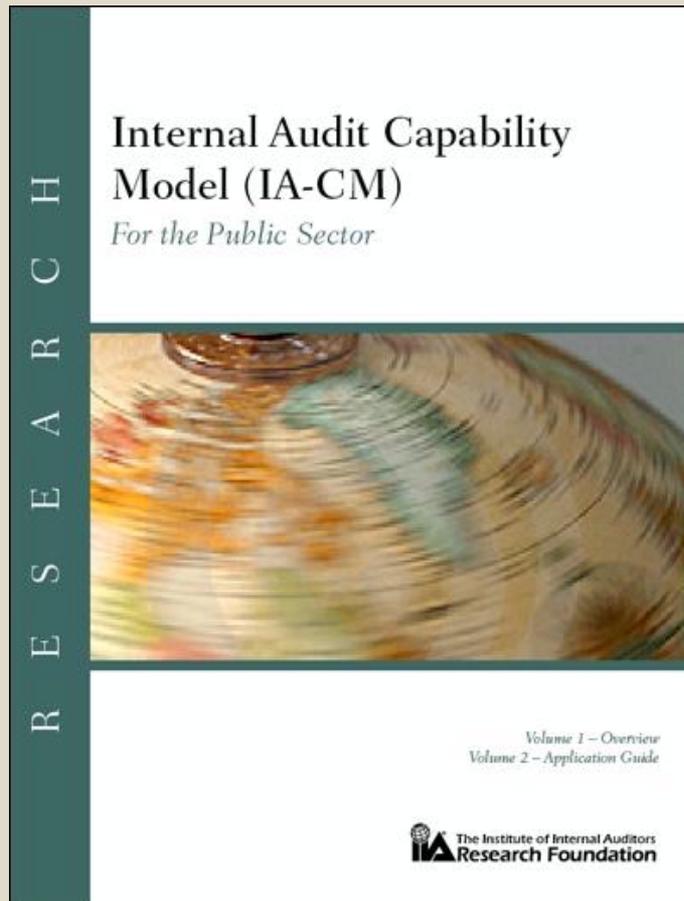The Institute of Internal Auditors
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Considerations

- Apply professional judgment.
- Consider environmental and organizational factors.
- Is Level 3 sufficient?
- Can capability levels be skipped?
- Can KPAs be ignored?
- Must all elements be at the same capability level?

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Communicate Results

IA-CM

- Identify strengths and areas for improvement of the IA activity.

- Identify "leading practices" of the IA activity.

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Internal Audit Capability Model (IA-CM)
For the Public Sector

Volume 1 – Overview
Volume 2 – Application Guide

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http://www.theiia.org/bookstore/product/internal-audit-capability-model-iacm-for-the-public-sector-1422.cfm

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THANK YOU VERY MUCH!

QUESTIONS?

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