

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

**Using the IA-CM for  
IA Manual development  
October 14-15, 2010 – Bled**

# Agenda

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

# IA CM

- Validation on PEM-PAL
  - **3th Internal auditors' Community of Practice Workshop**
  - **Croatia IA setup**

# What is the IA-CM?

- Communication vehicle.
- Framework for assessment.
- A road map for orderly improvement
  
- Checklist for IA Manual development

# 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.

# Underlying Principles

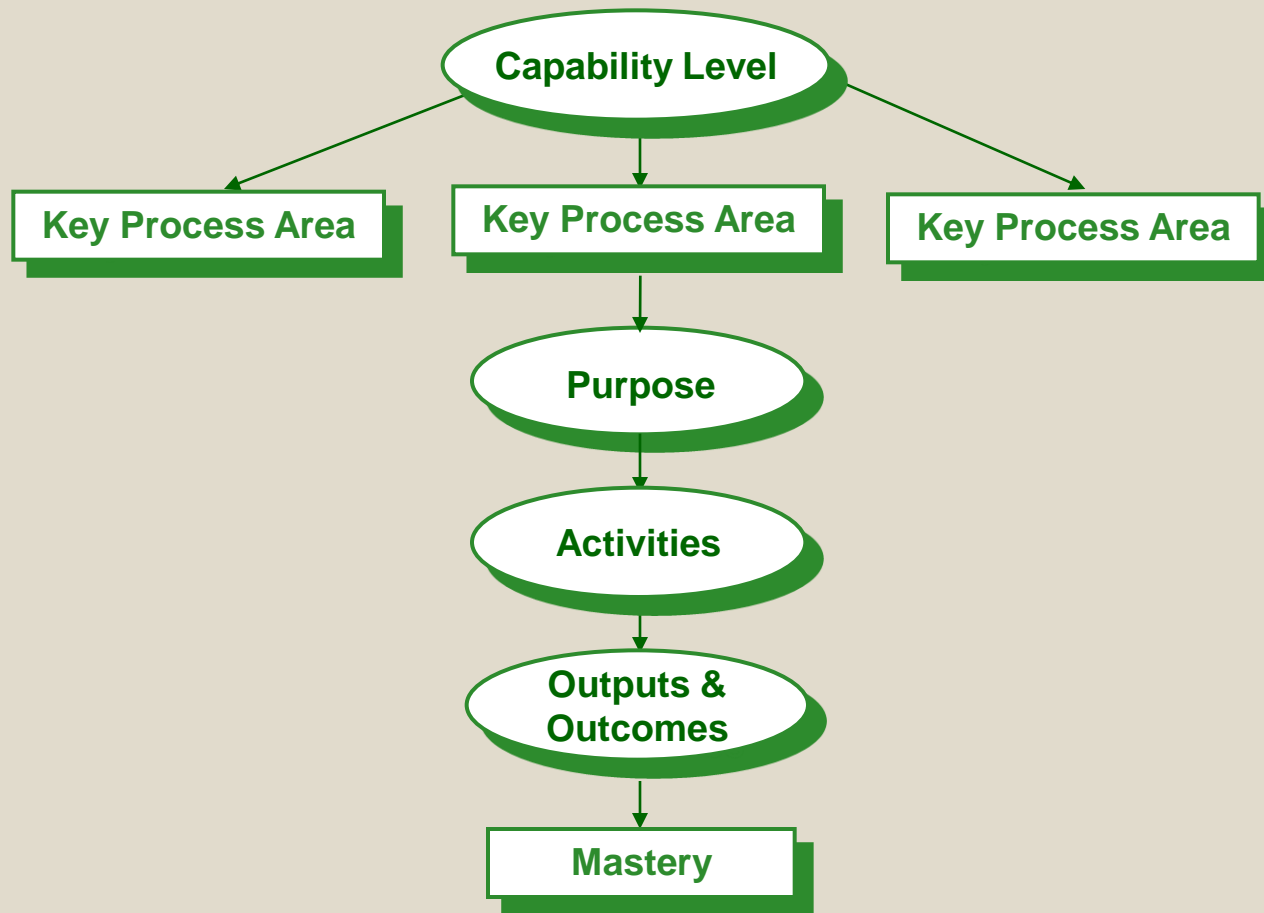
## IA Activity's Obligations

- 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.

# Structure of the IA-CM



# IA Capability Model Levels

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**

**Workshop focus**



# 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.

# Internal Audit Capability Model Matrix



	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					

# Using the 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.

# Capability Level 1 - Initial

- Ad hoc or unstructured.
- Isolated single audits or reviews of documents and transactions for accuracy and compliance.
- Outputs dependent upon the skills of the specific person holding the position.
- No professional practices established other than those provided by professional associations.
- Funding approval by management, as needed.
- Absence of infrastructure.
- Internal auditors likely part of a larger organizational unit.
- Institutional capability is not developed.

# Capability Level 2 – Infrastructure



IA  
Manual

- Key question or challenge for Level 2 is how to establish and maintain repeatability of processes and thus a repeatable capability.
- IA reporting relationships, management and administrative infrastructures, and professional practices and processes are being established (IA guidance, processes, and procedures).
- Audit planning based principally on management priorities.
- Continued reliance essentially on the skills and competencies of specific persons.
- Partial conformance with the *Standards*.

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# Capability 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 (LAW or Charter)
- Reporting Relationships Established

# Capability Level 2 – Infrastructure

- All details are on:
  - [http://pempaltec.wikispaces.com/IAMannual\\_Oct2010](http://pempaltec.wikispaces.com/IAMannual_Oct2010)

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**For more information, visit:  
[www.theiia.org/research/ia-cm](http://www.theiia.org/research/ia-cm)**