

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

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free of poverty



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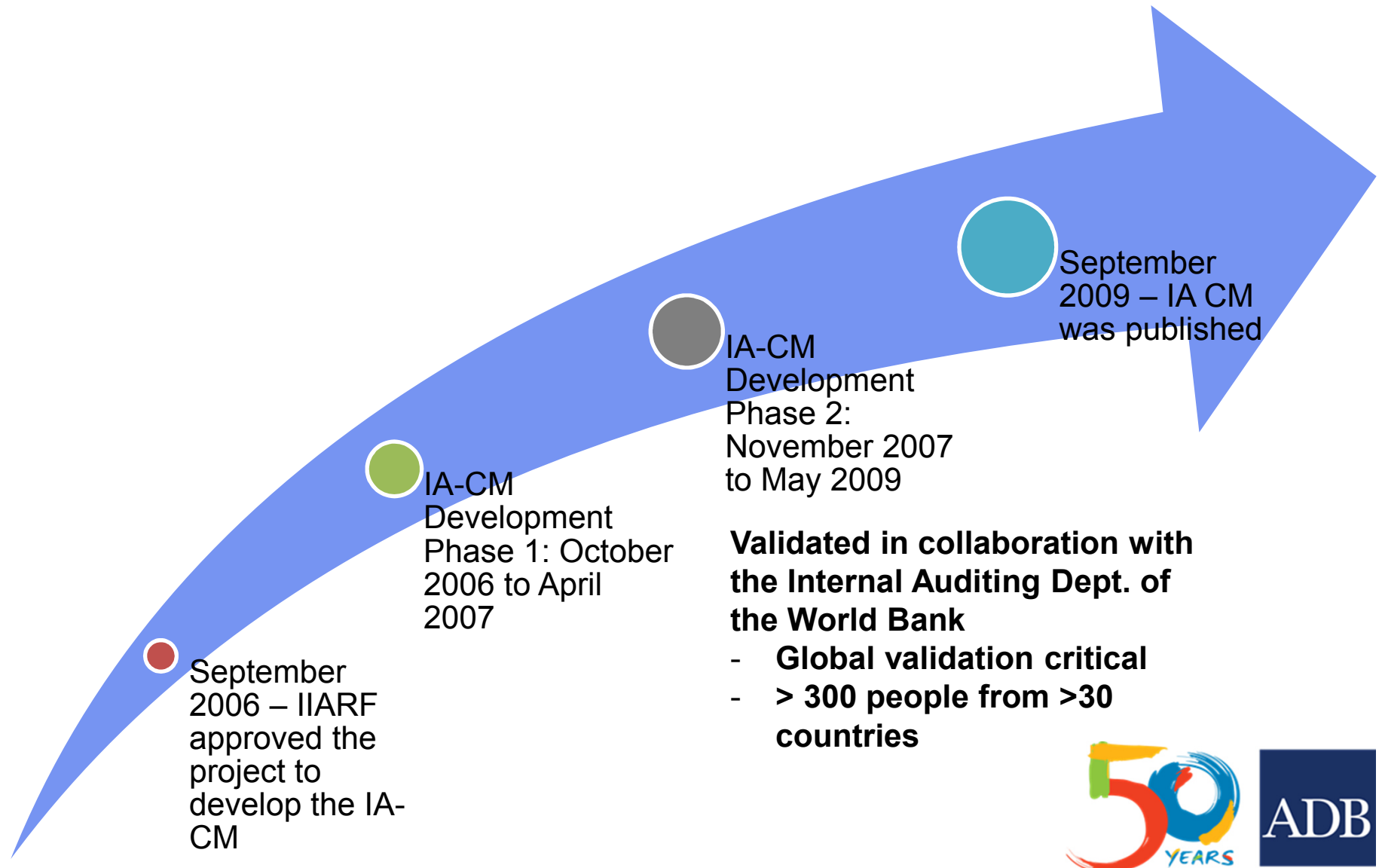


# What does OAG do?



- Provides audit and advisory services
- Provides assurance to the President and the Audit Committee of the Board
- Conducts audits based on a risk analysis of ADB's audit universe

# The Development of IA-CM



# Global Validation of IA-CM



United States Argentina Kenya Uganda Tanzania  
Egypt India Malaysia Viet Nam United Kingdom  
Belgium Turkey Australia France Canada Croatia



ADB

# What is the IA-CM?



## **Self-assessment and development tool**

- A framework identifying the fundamentals and requirements of IA
- Assesses the capability level of an IA activity
- Capability building for continuous improvement

## **A communication vehicle to stakeholders**

- Basis for communicating what is effective internal auditing
- Benchmarking

## **A road map for orderly improvement & attaining goals**

- Strategic planning and visioning



# The IA-CM – Its Users

- IA Professionals
- IA's Principal Stakeholders
  - Senior Management
  - Audit Committee Members
  - Governing Bodies
  - Legislative Auditors



# Internal Audit Capability Model Matrix

	Services and Role of IA	People Management	Professional Practices	Performance Management and Accountability	Organizational Relationships and Culture	Governance Structure
<b>Level 5 - Optimizing</b>	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
<b>Level 4 – Managed</b>	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 Report to Top-level Authority
<b>Level 3 - Integrated</b>	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
<b>Level 2 – Infrastructure</b>	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 Relationships Established
<b>Level 1 - Initial</b>	Ad hoc and unstructured; isolated single audits or reviews of documents and transactions for accuracy and compliance; outputs depend 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 to be part of a larger organizational unit; no established capabilities; therefore, no specific key process areas					



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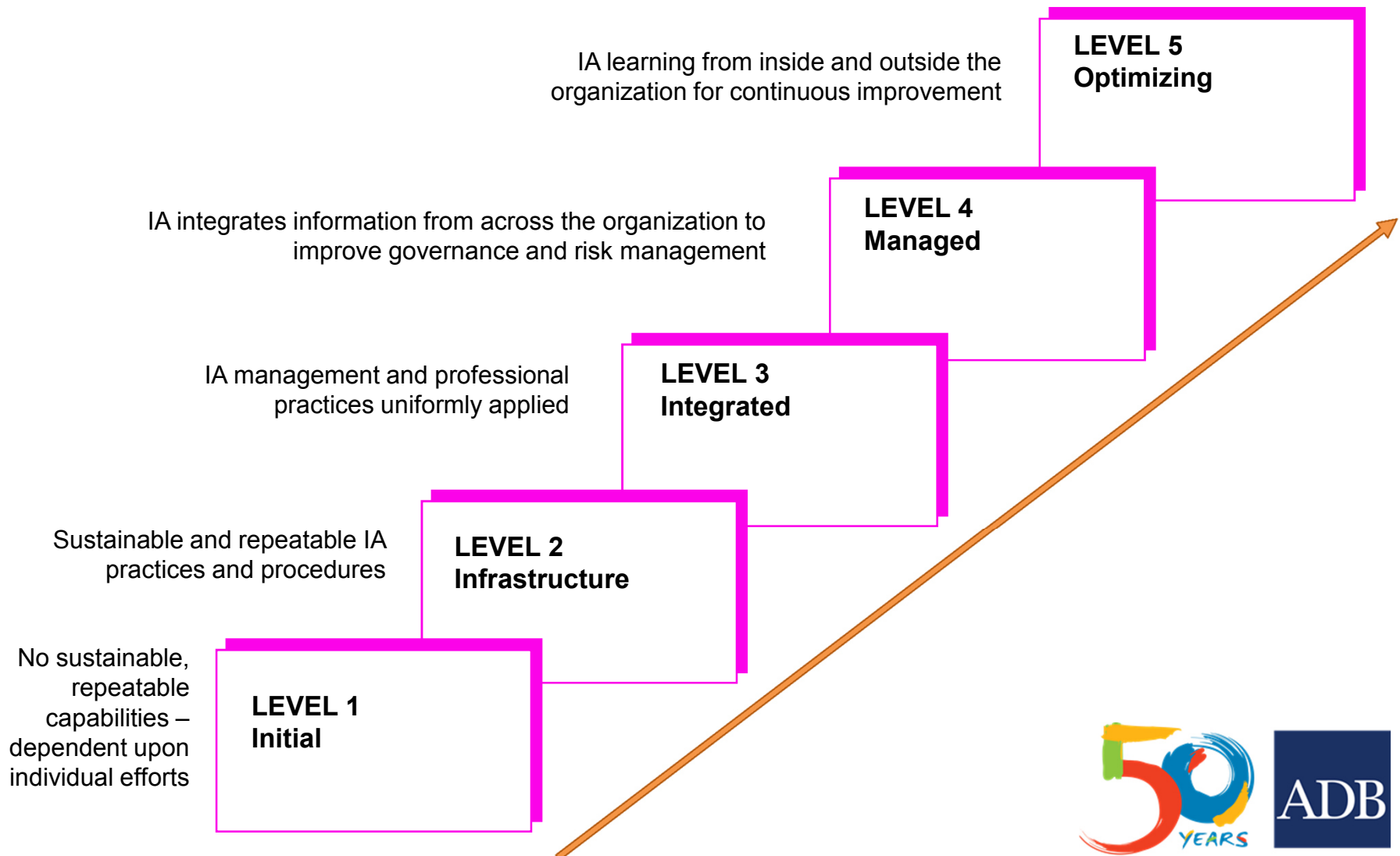
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# IA-CM Levels





# Level 1 Initial Attributes

- Ad hoc or unstructured
- Isolated single audits
- Outputs dependent on skills of the specific individual
- No professional practices established
- Funding as needed
- No infrastructure or KPAs
- Institutional capability not developed

# Level 2 Infrastructure Attributes

- Definable, repeatable audit processes being established
- Reporting relationships, infrastructure and professional practices being established
- Planning based principally on management priorities
- Continued reliance on competencies of specific individuals
- Partial conformance with the *Standards*

# Level 3 Integrated Attributes

- 🌐 IA policies, processes, procedures are documented and integrated into infrastructure
- 🌐 IA management and professional practices are established and uniformly applied
- 🌐 IA is beginning to align with organization's business and its risks
- 🌐 IA evolving from traditional audits to advising on performance and management of risks
- 🌐 Focus on team building and capacity building
- 🌐 Generally conforms with the Standards



# Level 4 Managed Attributes

- 🌐 IA and key stakeholders' expectations aligned
- 🌐 Performance metrics in place for IA processes and results
- 🌐 IA is a well-managed business unit
- 🌐 IA functions as an integral part of the organization's governance and risk management
- 🌐 Requisite skills for renewal and knowledge sharing within IA and across organization

# Level 5 Optimizing Attributes

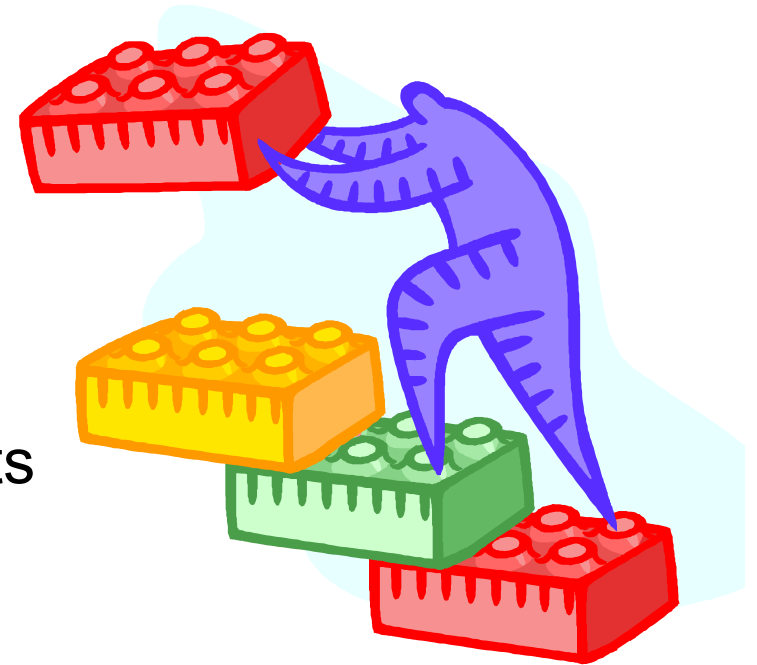
- IA is a learning organization
- IA uses internal and external information
- World-class/ recommended/ best practice performance
- IA is a critical part of the organization's governance structure
- Top-level professional and specialized skills
- Performance measures are integrated to drive performance improvements.

# Elements of Internal Auditing



# Key Process Areas (KPAs)

- The main building blocks – 41 KPAs
- Must be in place and sustained
- When all KPAs are institutionalized at a level – IA activity may have achieved that level
- Related to KPAs across the elements and levels
- Each KPA has a purpose, essential activities, outputs, outcomes, and institutionalizing practices



# In Summary

- Consider environment, organization, and IA activity
- Different capability required; internal auditing must be cost-effective
- No “One Size Fits All”; not prescriptive (what should be done, not how to do it);
- Universal model (comparability around principles, practices and processes to improve public sector IA).

# Opportunities/Best Practices

- Is there an opportunity for the IA-CM to support and/or advocate your IA activity?
- Which level are you now and which level do you want to go?
- How can you use the IA-CM as a continuous communication vehicle?

**Thank you.**

