

Internal Audit Capability Model (IA-CM) - Institute of Internal Auditors



Objective and features

1. Objective

IA-CM enables a public sector organization to:

- determine its internal audit requirements according to the nature, complexity, and associated risks of its operations;
- assess its existing internal audit capabilities against the requirements it has determined; and
- identify any significant gaps between those requirements and its existing internal audit capabilities and work toward developing the appropriate level of internal audit capability.

2. Institutional coverage

Institutions at national and subnational government levels.

3. Technical coverage

IA-CM provides a matrix covering the following key areas of capability:

1. Services and role of internal audit
2. People management
3. Professional practices
4. Performance management and accountability
5. Organizational relationships and culture
6. Governance structure.

4. Application method

Self-assessment.

Methodology

5. Methodology

IA-CM is a framework for strengthening or enhancing internal auditing through small evolutionary steps. These steps are organized into five progressive capability levels. The model showcases how an internal audit activity can evolve as it defines, implements, measures, controls, and improves its processes and practices.

Each capability level consists of key process areas (KPAs) outlined in the technical coverage section above. KPAs are the main building blocks that determine the capability level achieved. A KPA identifies a cluster of related activities that, when performed collectively, achieve a purpose and produce immediate outputs and longer-term outcomes. The KPA is mastered when it is implemented in an effective and lasting way.

After mastering all the KPAs associated with a capability level and ensuring that these key processes are institutionalized within the internal audit activity, a given capability level is achieved. Finally, the capability levels help determine the internal audit requirements according to the nature, complexity, and associated risks of the organization's operations and help identify the appropriate level of internal audit capability needed by an organization.

The IA-CM model is graphically depicted as a one-page matrix. The vertical axis represents the maturity levels - with the capability of the internal audit activity increasing from bottom to top. The elements of internal auditing are presented on the horizontal axis. The KPAs for each level of each element is identified in the relevant boxes for the appropriate level. Based on these, the matrix depicts the extent or influence that the internal audit activity has over the elements.

6. Benchmarking system

IA-CM attempts to match the nature and complexity of the organization with the internal audit capabilities needed to support it. There are five levels of capability:

1. Initial - no sustainable, repeatable capabilities; dependent upon individual effort.
2. Infrastructure - sustainable and repeatable internal audit practices and procedures.
3. Integrated - internal audit management and professional practices uniformly applied.
4. Managed - internal audit integrates information from across the organization to improve governance and risk management.
5. Optimizing - internal audit learning from inside and outside the organization for continuous improvement.

7. Linkage to PEFA framework

IA-CM explores in further details the PEFA performance indicator on internal audit (PI-26).

8. Complementarity with PEFA framework

This tool provides a detailed analysis of the underlying issues where weaknesses have been identified in the public sector internal audit function. An IA-CM assessment of a public sector internal audit function can provide an important input to internal audit (PI-26) of a PEFA assessment.



Development and use

9. Development and coordination

In 2004, the Public Sector Committee (PSC) of the IIA recommended developing the IA-CM to reinforce the importance of internal auditing in public sector governance and accountability. It recognized that internal auditing could vary significantly from country to country because of differences in management practices, processes, and culture of a government. The PSC identified the need for a universal model that public sector internal audit activities could use as a self-assessment and development tool to assess their progress and determine training and capacity-building needs. Extensive consultation and interaction took place with internal audit professionals, key stakeholders, and communities of interest, including senior management, audit committee members, and supreme audit institutions, as well as relevant service providers. In September 2006, the Institute of Internal Auditors Research Foundation (IIARF) approved the project to develop an IA-CM to be used globally to help evolve public sector internal auditing by strengthening its capacity and improving its effectiveness. The IA-CM tool was developed in two phases from 2006 to 2009. Inputs from various local internal audit institutes and IIA's international committees were used during tool development.

10. Assessment management

The steps for conducting the assessment are as follows:

- Understand the IA-CM.
- Identify the KPAs that have been institutionalized by the internal audit activity.
- Obtain and review relevant documentation on the internal audit activity.
- Obtain and review relevant documentation on the organization and the external environment of the internal audit activity.
- Interview senior managers and other key stakeholders.
- Confirm which KPAs have been institutionalized within the internal audit activity and determine the capability level.
- Communicate results.

No quality assurance arrangements are built into the tool methodology, and they depend on the institution carrying out the assessment.



11. Uses by the government and members of the PFM community

In addition to being used as a self-assessment and continuous improvement model for internal audit activities, the tool can be used by senior management and legislators to evaluate the need for and the type of internal audit activity appropriate to their organizations or jurisdictions. This model could also be used by national, regional, and local legislative auditors as a source of benchmarks. They could report to legislators on the extent to which any given public sector internal audit activity has reached maturity in terms of governance, policy and practices framework, organization and structure, resources, and services.

12. Sequencing with other tools

The IA-CM assessment may use the findings from an Institutional Capacity Building Framework (B27) assessment and hence can be conducted after that assessment.

13. PFM capacity building

The model establishes gaps in internal audit capabilities, describes how an internal audit activity can be improved at that level, and suggests a road map for improvement to the next level.

14. Tracking of changes and frequency of assessments

Changes can be tracked to see whether there are any improvements in processes and practices at each stage that provide the foundation to progress to the next capability level. There is no predefined assessment frequency.

15. Resource requirements

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Transparency



16. Access to methodology

Methodology is available for a charge at the IIA website.

17. Access to assessment results

A repository of reports and database of assessments is not available.