

1. Introduction

The Overview provides a high-level summary of the Public Sector Internal Audit Capability Model (IA-CM). It includes background on the research project itself, some environmental and contextual information about internal auditing, and a description of the model, including its underlying principles and structure. A selected bibliography and resource links is also provided.

In 2004, the Public Sector Committee (PSC) recommended that an IA-CM be developed 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 particular government. The PSC identified the need for a universal model that public sector IA activities could use as a self-assessment and development tool to assess their progress and determine training and capacity-building needs.

Governments at all levels acknowledge the critical importance of internal auditing in enhancing the economy, efficiency, and effectiveness of all levels of public administration.

At that same time, governments at all levels — national, regional (provincial or state), and local (county or city) — were acknowledging the critical importance of internal auditing in enhancing the economy, efficiency, and effectiveness of all levels of public sector administration. There was clearly a need for a universal public sector governance model that included internal auditing.

A universal public sector governance model was needed that reinforced the importance of internal auditing.

In September 2006, The 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 model is based on an adaptation of the Software Engineering Institute's[®] Software Capability Maturity Model that was developed as a tool for assessing an organization's ability to build software applications and the more recent Technical Report, "CMMI[®] for Development, Version 1.2."¹

The IA-CM is a framework that identifies the fundamentals needed for effective internal auditing in the public sector and consists of five levels, tied to leading practices. In addition to its use as a self assessment and continuous improvement model for IA activities, the IA-CM could be used by senior management and legislators to evaluate the need for and the type of IA 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 IA activity has reached maturity in terms of governance, policy and practices framework, organization and structure, resources, and services.

¹CMMI[®], CMM[®], and Capability Maturity Model[®] are registered in the U.S. Patent and Trademark Office.

The ultimate purpose of the research project was to develop an IA-CM to use globally as a basis for implementing and institutionalizing effective internal auditing in the public sector. The primary lines of enquiry were intended to explore and identify:

The IA-CM was designed to implement and institutionalize effective internal auditing in the public sector.

- The overall characteristics at each capability level for the IA activity and the organization that it supports.
- The elements that make up the IA activity and the key process areas at each capability level and within each element.
- The activities and practices of each key process area that need to function effectively and the corresponding purpose that needs to be achieved to move to the next level.

The project was composed of two phases. The first phase took place from October 2006 to April 2007 and the second from November 2007 to May 2009.

Phase 1 identified the characteristics at each level, the elements of the IA activity, and the key process areas (KPAs) at each level and for each element. An extensive literature and documentation review was conducted along with input through focus groups and workshops from over 50 internal audit professionals from over 20 countries.

Phase 2 built on the results of Phase 1 by refining and elaborating on the five levels of capability, further distinguishing them, and evaluating aspects of each level that contributed to the capability for implementing the next level. The essential activities, outputs, outcomes, and means to institutionalize the KPAs were developed.

Phase 2 confirmed the appropriateness of each level and the KPAs within the internal audit elements by:

- Identifying real-life IA activities that exemplified each level, and comparing across the elements to ensure that the examples were truly representative of the model; and
- Validating, through extensive interaction and communication with IA activities world-wide, that the essential activities, outputs and outcomes identified in the KPAs within each element at each level constituted the basis and provided the capability for functioning effectively, and that they established the foundational (or systemic) capacity to move on to the next level.

The research team felt that global validation was critical to the usability and acceptance of the model. The Internal Auditing Department of the World Bank worked with The IIARF to ensure sufficient global validation — considering different forms of government, stages of government's maturity, and cultures of countries and continents. A detailed validation plan was developed to identify public sector IA activities at each of the capability levels at different locations around the world.

Global validation was critical to the model's sustainability and acceptance.

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. The model was validated and refined to ensure that it was useable, useful, practical, and relevant for public sector IA activities.

Extensive consultation took place with internal audit professionals and stakeholders worldwide.

A detailed report on the results of each on-site validation (which included evolving/best-practice examples, suggestions for improving the IA activity, and refinements to the IA-CM) was provided to validation participants. Some of the evolving and best-practice examples are highlighted in this report.

Sixteen IA activities in public sector environments worldwide participated in on-site IA-CM validation sessions. Presentations and workshops were also held to obtain additional input. More than 300 people from over 30 countries were consulted during Phase 2. In addition, input was sought from various local internal audit institutes and The IIA's international committees, particularly the PSC. Annex A in the Application Guide provides more details on the Phase 2 validation methodology, its participants, and the evolving/best-practice examples identified during the on-site validations.