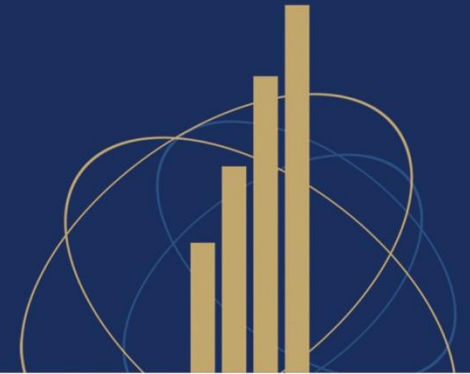




Internal Audit Capacity Model For Public Sector



CIGFARO
Chartered Institute of
Government Finance, Audit & Risk Officers

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Presentation outline

- **Internal Audit Capacity Model Framework**
- **Internal Audit Capacity Model Tools**
- **Internal Audit Capacity Model Effectiveness**
- **Internal Audit Capacity Steps**
- **Elements of Internal Audit Capacity Model**
- **Conclusion**



The Internal Auditing Capacity Model for Public Sector

❖ The IA-CM is a framework that:

- ☐ identifies the fundamentals needed for effective internal auditing in the public sector.
- ☐ It describes the path for a public sector organization to follow in developing effective internal auditing to meet the organization's governance needs and professional expectations.
- ☐ The IA-CM shows the steps in progressing from a level of internal auditing typical of a less established organization to the strong, effective, internal audit capabilities generally associated with a more mature and complex organization.

IA-CM CAN SERVE

A communication vehicle

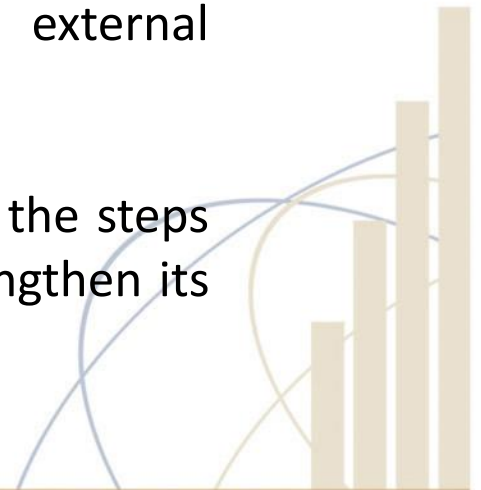
- a basis for communicating what is meant by effective internal auditing and how it serves an organization and its stakeholders, and for advocating the importance of internal auditing to decision makers.

A framework for assessment

- a framework for assessing the capabilities of an IA activity against professional internal audit standards and practices, either as a self-assessment or an external assessment.

A road map for orderly improvement

- a road map for building capability that sets out the steps an organization can follow to establish and strengthen its IA activity



INTERNAL AUDIT CAPACITY MODEL

- Internal auditing is an integral part of effective governance in the public sector and helps organizations achieve their objectives and account for their results.
- Three variables must be considered when assessing the level of capability of an IA activity — the activity itself, the organization, and the overall environment in which the organization operates.
- An organization has an obligation to determine the optimum level of internal audit capability to support its governance needs and to achieve and maintain the desired capability.
- Not every organization requires the same internal audit capability or sophistication.



IA-CM TOOL CAN BE USED FOR THE FOLLOWING

- The appropriate level will correspond with the nature and complexity of the organization and the risks to which the organization may be exposed. “No one size fits all.”
- The capability of the IA activity is directly related to the actions taken by the Chief Audit Executive (CAE) to establish the processes and practices needed to achieve and maintain the internal audit capabilities and the measures taken by the organization’s management to establish a support from management

IA-CM STEPS

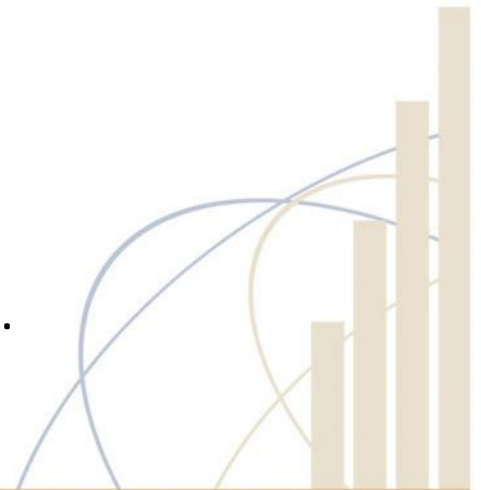
The five levels of the IA-CM are:

- ☐ Initial- IA learning from inside and outside the organization for continuous improvement.
- ☐ Infrastructure-IA integrates information from across the organization to improve governance and risk management.
- ☐ Integrated-IA management and professional practices uniformly applied.
- ☐ Managed-Sustainable and repeatable IA practices and procedures.
- ☐ Optimizing- No sustainable, repeatable capabilities- dependent upon efforts.

IA-CM STEPS

❖ 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.
- ☐ Auditors likely part of a larger organizational unit.
- ☐ Institutional capability is not developed.



❖ Level 2 Infrastructure

- ❑ Key question or challenge for Level 2 is how to establish and maintain repeatable 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).
- ❑ Continued reliance essentially on the skills and competencies of specific persons. – Partial conformance with the Standards.



IA-CM STEPS

❖ Level 3 Integrated

- ☐ IA policies, processes, and procedures are defined, documented, and integrated into each other and the organization's infrastructure.
- ☐ IA management and professional practices are well established and uniformly applied across the IA activity.
- ☐ IA is starting to align with the organization's business and the risks it faces.
- ☐ IA evolves from conducting only traditional IA to integrating as a team player and providing advice on performance and management of risks.
- ☐ Focus is on team building and capacity of the IA activity and its independence and objectivity.
- ☐ Generally, conforms to the Standards.

IA-CM STEPS

❖ Level 4 Managed

- ☐ IA and key stakeholders' expectations are in alignment.
- ☐ Performance metrics are in place to measure and monitor IA processes and results.
- ☐ IA is recognized as delivering significant contributions to the organization.
- ☐ IA functions as an integral part of the organization's governance and risk management.
- ☐ IA is a well-managed business unit.
- ☐ Requisite skills and competencies are in place with a capacity for renewal and knowledge sharing (within IA and across the organization) monitor IA processes and results.

❖ Level 5 Optimizing

- ☐ IA is a learning organization with continuous process improvements and innovation.
- ☐ IA uses information from inside and outside the organization to contribute to achieving strategic objectives. – World-class/recommended/best practice performance.
- ☐ IA is a critical part of the organization's governance structure.
- ☐ Top-level professional and specialized skills.
- ☐ Individual, unit, and organizational performance measures are fully integrated to drive performance improvements.

ELEMENTS OF INTERNAL AUDIT CAPACITY MODEL

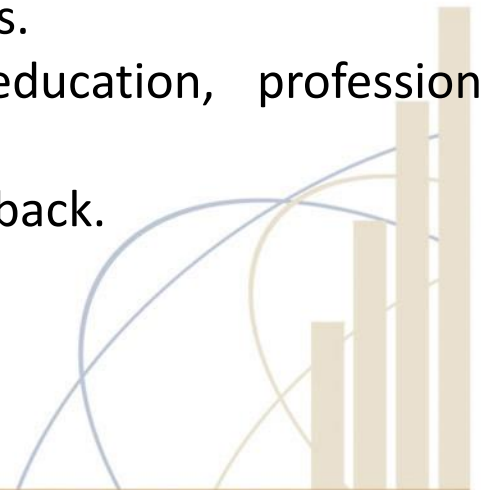
❖ **Services and Role of Internal Auditing:**

- ☐ to provide independent and objective assessments to assist the organization in accomplishing its objectives and improve operations
- ☐ Services provided are typically based on the organization's needs and the IA activity's authority, scope, and capacity.
- ☐ Services include the provision of assurance and advice and can consist of audits of transactions, compliance, systems, processes, operations, performance/value-for-money, information and related technology, and financial statements and systems.

ELEMENTS OF INTERNAL AUDIT CAPACITY MODEL

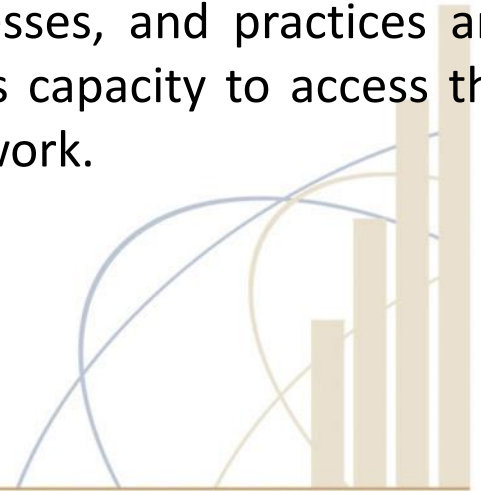
❖ People Management

- ❑ The process of creating a work environment that enables people to perform to the best of their abilities.
- ❑ The job is defined as needed. People management includes:
 - Identifying specific attributes and developing clear job descriptions.
 - Recruiting appropriate people through an appropriate selection process.
 - Identifying job requirements and work objectives based on performance standards, outcomes, and measures.
 - Providing effective orientation, continuing education, professional development, and training.
 - Providing ongoing coaching and continuous feedback.



❖ Organisational Relationships and Culture

- ❑ The organizational structure and the internal management and relationships within the IA activity itself.
- ❑ Includes the CAE's relationships with senior management, and as part of the management team.
- ❑ Includes how the organization's policies, processes, and practices are interpreted and may impact on the IA activity's capacity to access the information and people needed to conduct the work.



ELEMENTS OF INTERNAL AUDIT CAPACITY MODEL

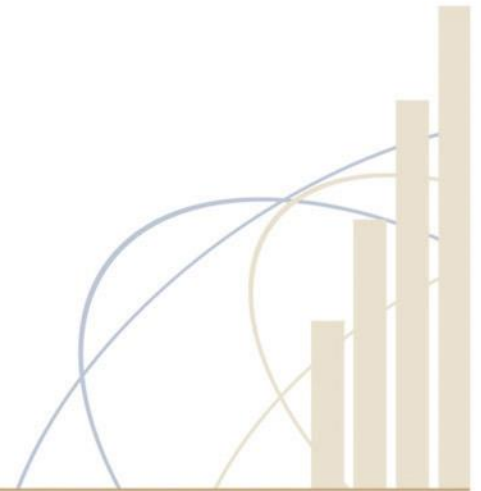
❖ Performance Management and Accountability

- ☐ Refers to the information needed to manage, conduct, and control the operations of the IA activity and account for its performance and results.
- ☐ To the identification and communication of sufficient and relevant information to enable people to perform their assigned responsibilities. Includes the management of relevant information systems and financial and non-financial (operational and program) performance information.
- ☐ Includes the procedures to manage and protect the integrity of data and to produce and present the appropriate information and results when needed. Refers to reporting on the effectiveness of the IA activity to relevant stakeholders and the public.

CONCLUSION

❖ Internal audit capacity model

❑ Internal Audit capacity model is a tool that must be adopted by municipality for better management of audit activities and improvement





Thank You!



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