

**The IIA
Research Foundation**

**Internal Auditing
Capability Maturity Model
(IA-CMM)
Preliminary Draft**

Validation Session

*Republic of Croatia
Ministry of Finance
Internal Audit Division*

Outline

- Validation Objectives
- Why an IA-CMM?
 - Underlying Principles
 - Matrix
- Validation Results

Validation Objectives

- Review purpose, theory and uses of the IA-CMM
- Refine, confirm and elaborate on
 - Capability Maturity Levels
 - Elements of Internal Auditing (IA)
 - Key Process Areas (KPAs)
 - Practices/Mean to Institutionalize KPAs
- Identify issues to be addressed

Why the IA-CMM?

- Framework for Assessment
 - Basis for implementing and institutionalizing effective internal auditing in the public sector
 - Roadmap for orderly improvement to strengthen capabilities
- Communication Vehicle

Underlying Principles

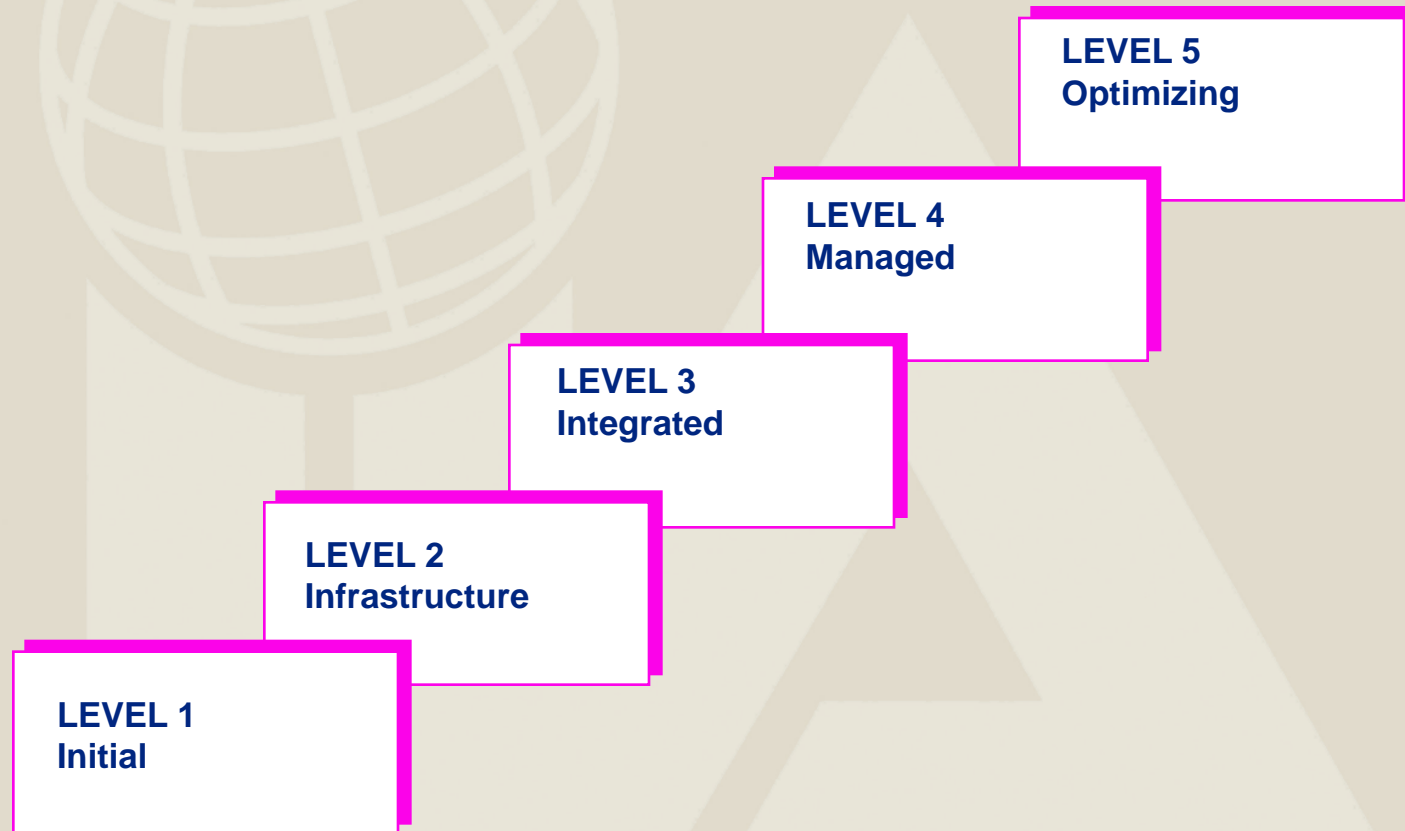
Selecting Optimum Capability

- Three variables
 - Environment
 - Organization
 - IA Activity
- Different capability required
- Auditing must be cost-effective
- No “one size fits all”

Typical Structure of a Capability Maturity Model



IA-CMM Capability Maturity Levels (Draft)



Preliminary Draft Internal Auditing Capability Maturity Model Matrix

	Services & Role of IA	People Management	Professional Practices	Performance Management & Accountability	Organizational Relationships & Culture	Governance Structures
Level 5 – Optimizing	IA as a Change Agent	Leadership Involvement with Professional Associations Workforce Projection	Continuous Improvement in Professional Practices Anticipatory IA Planning	Public Reporting of IA Effectiveness	Effective and Ongoing Relationships	Independence, Power and Authority of the IA Activity
Level 4 – Managed	Assurances on Governance, Risk Management, Control	IA as a Management Development and Career Tool IA Activity Supports Professional Bodies Workforce Planning	Strategic Alignment of Audits with 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	Performance / Value-for-Money Audits Advisory Services	Team Building and Competency Professionally Qualified Staff Workforce Coordination	Quality Management Framework Risk-Based Audit Plans	Cost Information Performance Measures IA Management Reports	Integral Component of Management Team	Management Oversight Committee Funding Mechanisms Full Access to the Organization's Information, Assets and People
Level 2 – Infrastructure	Compliance Auditing	Individual Professional Development Identify and Recruit Skilled People	Professional Practices and Processes Framework Audit Plan Based on Management / Stakeholder Priorities	IA Business Plan IA Operating Budget	Managing the Work of the IA Activity	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

Validation Process

- Review Documentation re: IA-CMM Elements; Environmental Factors
- Walkthrough IA-CMM
 - Chief Audit Executive
 - Internal Audit Practitioners
 - Key Stakeholders
 - CHU
 - State Auditor
 - Auditee Client

Validation Results

- Importance of External Environment, Organizational Factors
- Need more clarity in some elements and KPAs

Issues For Consideration

- Advisory Services
 - Independence and Objectivity of IA
- Team Building and Competency
 - Communication
- Quality Management Framework
 - External Quality Assessment

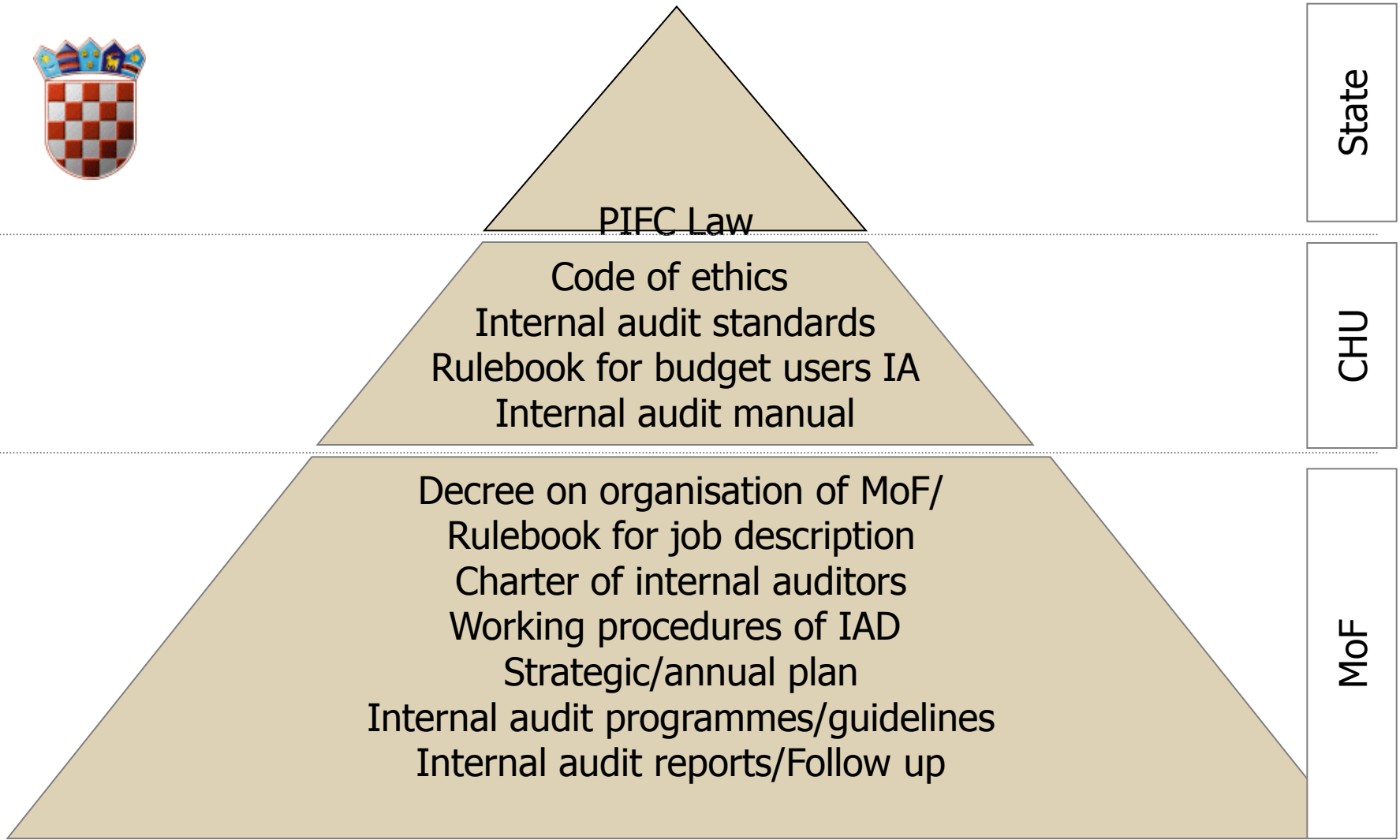
Issues For Consideration

- Governance Structures
 - Funding Mechanisms
 - Management Oversight Committee
 - Independent Oversight of IA
- Role of CHU
- IA's Relationship with External (State) Auditor

Leading Practices

- Training and Professional Development
 - Modules
 - CPIA
 - IA Classification System
- Relationship Building
 - CAE Network
- Professional Practices Framework
 - Law, Charter, Code of Ethics, Rulebook, Manual

Croatia - Internal Audit Legal Framework



Next Steps

- Refine and validate the draft model based on each global validation session
- Completed IA-CMM–2008
 - Summary
 - Implementation Workbook/s
 - Illustrative recommended and leading practices

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- “When you aim for perfection, you discover it's a moving target”
 - **Geoffrey F. Fisher (1887–1972)** archbishop of Canterbury