Internal Audit Capability Model (IA-CM) for the Public Sector
Detailed Key Process Areas

Services and Role of Internal Auditing
Level 2 – Infrastructure

Compliance Auditing

Purpose — To carry out an audit of conformity and adherence of a particular area, process, or system to policies, plans, procedures, laws, regulations, contracts, or other requirements that govern the conduct of the area, process, or system subject to audit.¹

Essential Activities
- Include in the internal audit charter the nature of the assurance services provided to the organization.
- Plan the internal audit engagement:
  - Communicate with client management (e.g., through an audit engagement letter).
  - Identify the relevant authorities/criteria.
  - Obtain management acceptance of the audit criteria.
  - Document the control framework.
  - Identify the audit objectives, scope, and methodology (including sampling methodology).
  - Develop the detailed audit engagement plan.
- Perform the audit engagement:
  - Apply specific audit procedures.
  - Document the procedures performed and their results.
  - Evaluate the information obtained.
  - Draw specific conclusions and develop recommendations.
- Communicate the results of the audit engagement:
  - Prepare the report or other mechanism to communicate the engagement results.
  - Establish and maintain a system to monitor the disposition of results communicated to management (e.g., a follow-up process to ensure management actions have been effectively implemented).

Outputs
- Documented audit engagement results/report are provided to appropriate parties (including the external auditor, where relevant).
- Working-paper file that supports the audit conclusions and contents of the audit engagement product/report.
- Management action plan, if necessary.

Outcomes
- Assurance that the area, process, or system subject to audit operates in compliance with relevant authorities/criteria.
- Added value by identifying opportunities to improve the achievement of organizational objectives and the effectiveness of operations.
- Prevent, deter, and detect illegal acts or violations of established policies, procedures, or contract requirements.

Institutionalizing Practice Examples
- Internal audit charter includes the nature of the assurance services provided to the organization.
- Documented audit programs, procedures, and internal control questionnaires.
- Documented internal audit engagement guidelines.
- Internal audit engagement training.

¹This includes the audit of financial transactions, including an evaluation of compliance with applicable statutes and regulations; the audit of the probity and propriety of administrative decisions taken within the audited entity; and any process-approach internal auditing.