

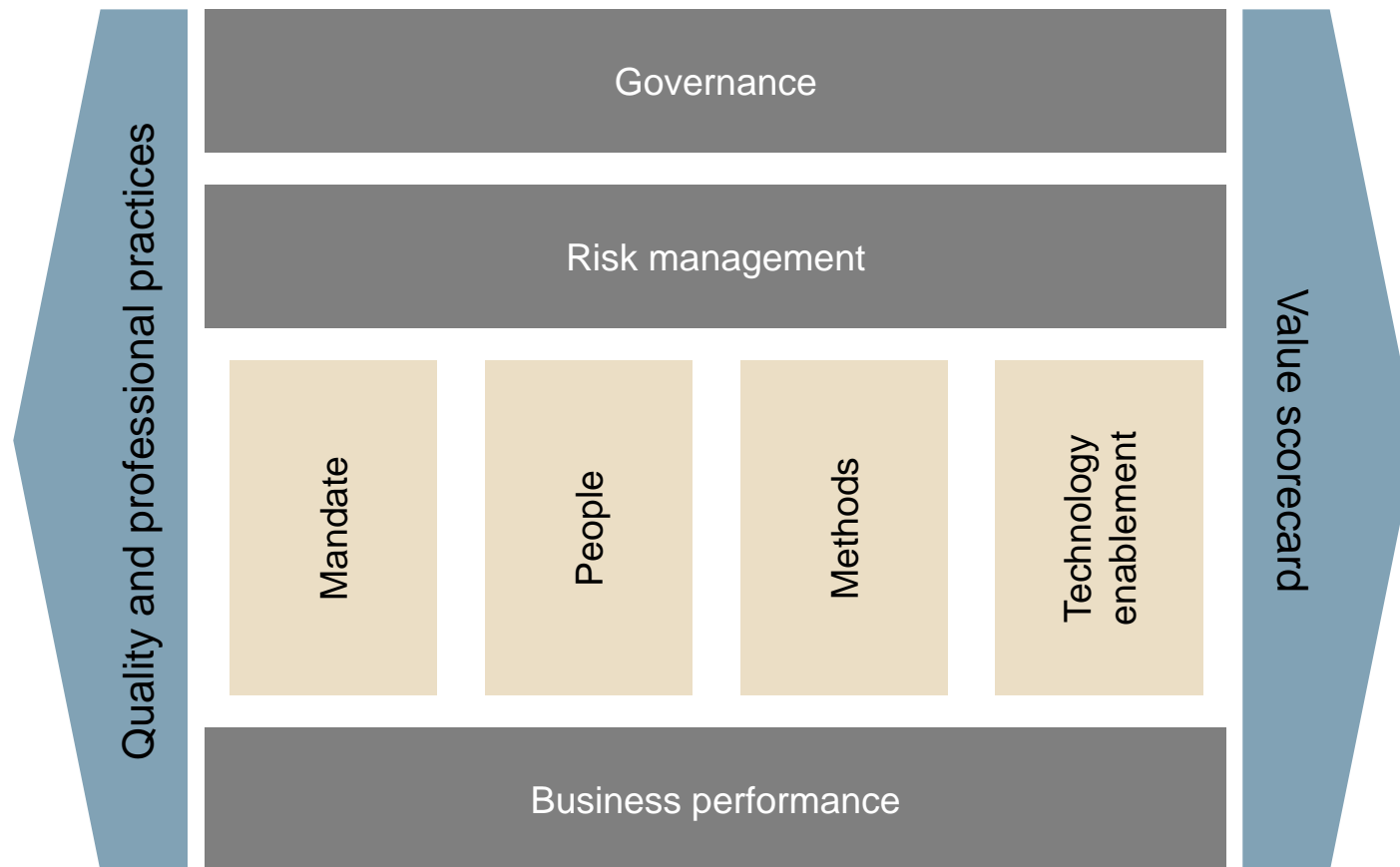


## Company Name

Internal Audit Framework, Roles and Expectations, and Maturity Models

## Internal Audit Framework

### Major Components of an Effective Internal Audit Function



## Internal Audit Framework – Definitions

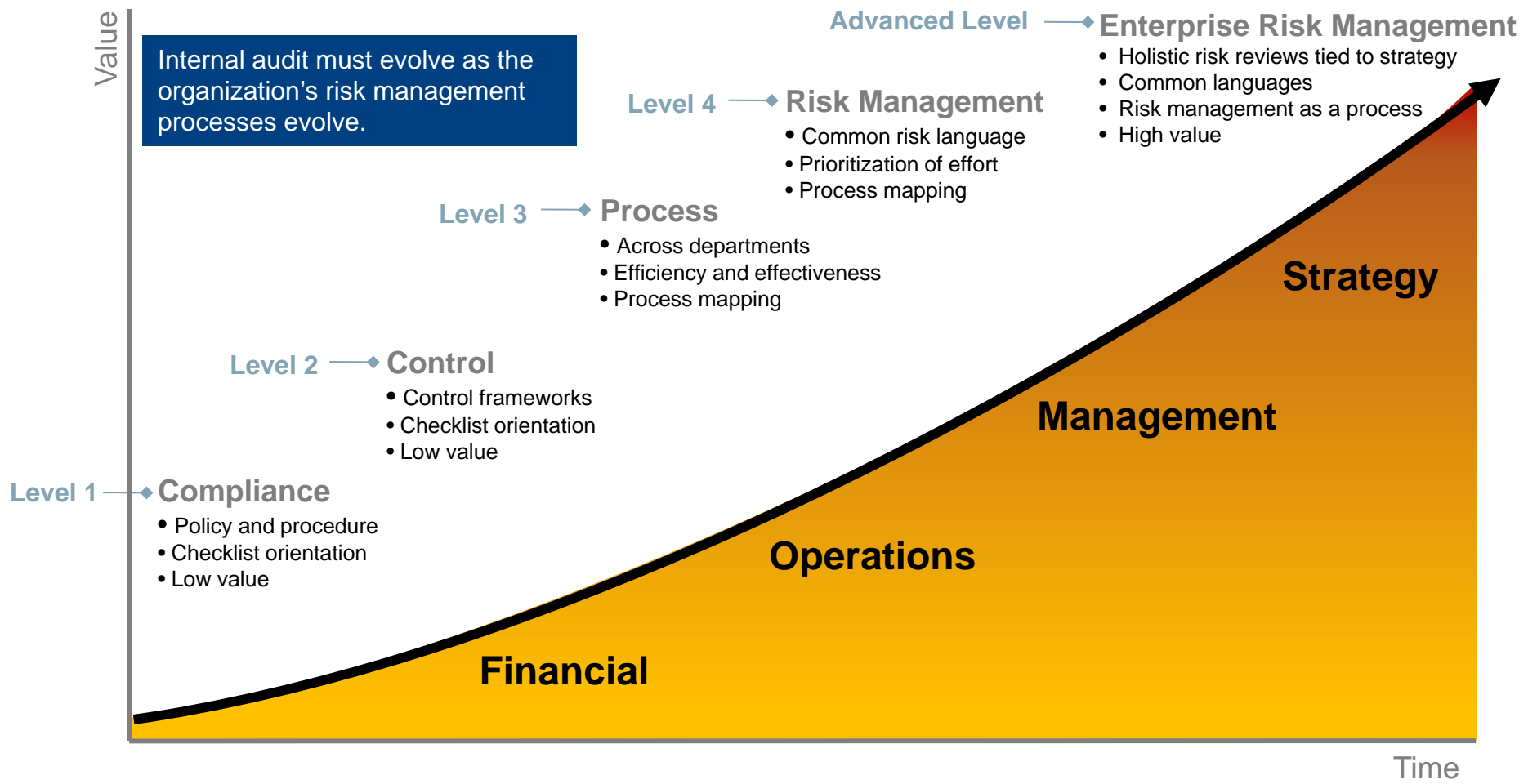
- **Governance** – Defines internal audit’s role and responsibility to the board and management committees, its position in the organizational structure, policies and procedures that govern the function, and internal and external communication requirements and responsibilities
- **Risk management** – Includes identification, assessment, and monitoring, development and analysis of risk limits and tolerances, and compliance activities, with specific focus on internal audit’s role in risk management, its responsibility for assessing risk in an organization, and aspects of integration with other risk functions
- **Capabilities** – Covers the infrastructure and operations for internal audit and focuses on four primary areas:
  - **People** – How internal audit aligns its people in terms of resourcing, competency, roles, and learning and development, to its purpose and mandate
  - **Mandate** – Internal audit’s purpose and mission, alignment with stakeholder needs and other risk functions, and coverage and scope

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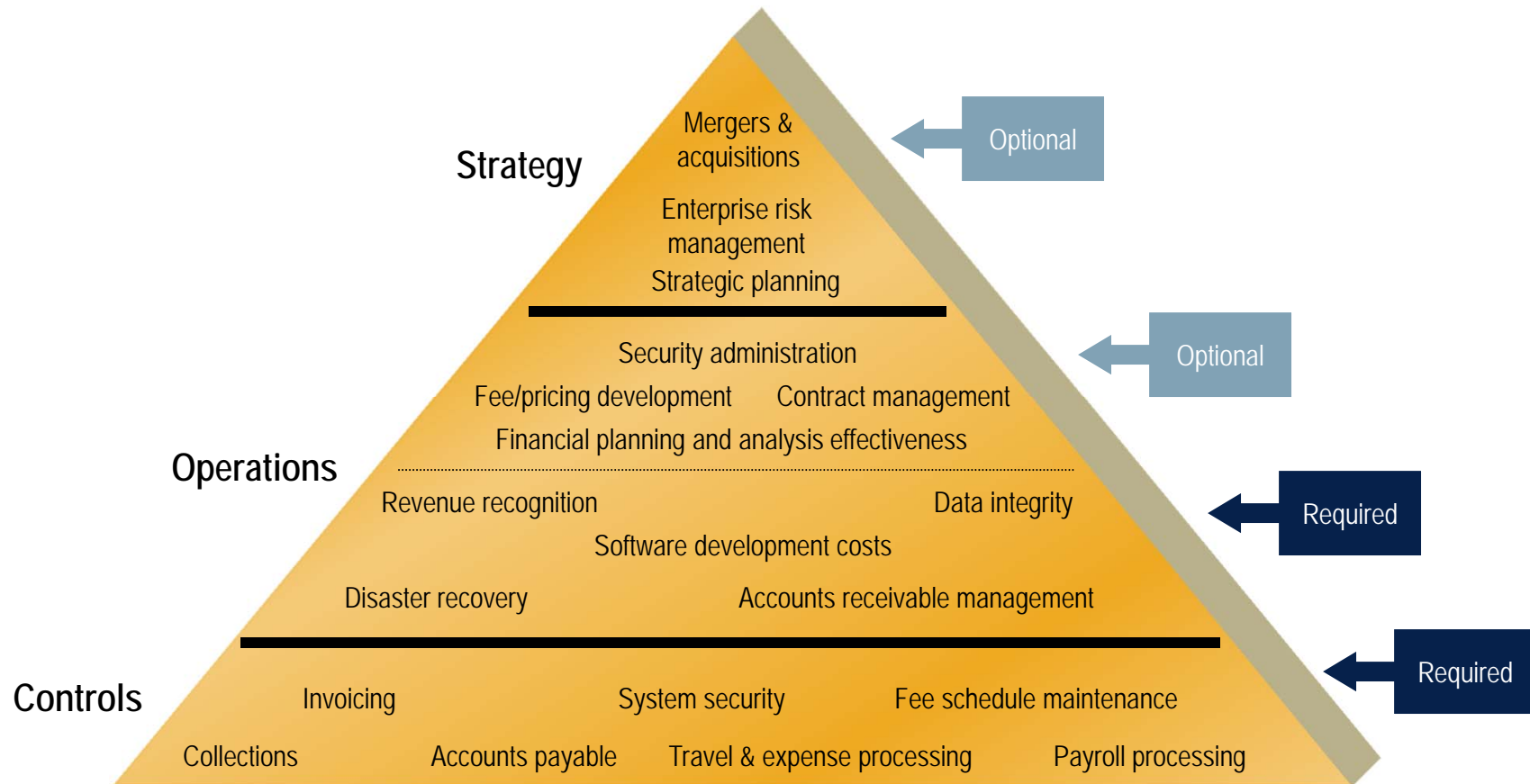
## Internal Audit Framework – Definitions Continued

- **Methods** – Addresses the internal audit approaches and method for planning, providing assurance, identifying issues, tracking and remediation, and monitoring and reporting, as well as efficiency and effectiveness of the function
- **Technology enablement** – Assesses how the internal audit process is enhanced and enabled by the use of technology
- **Business performance** – How internal audit delivers value to the organization by enabling business performance through process improvement, regulatory reliance, facilitation of change programs and major initiatives, and strategic insights and ideas
- **Foundational elements** – Measures of quality and performance of the internal audit function and its outputs, as well as measures of value provided to the organization

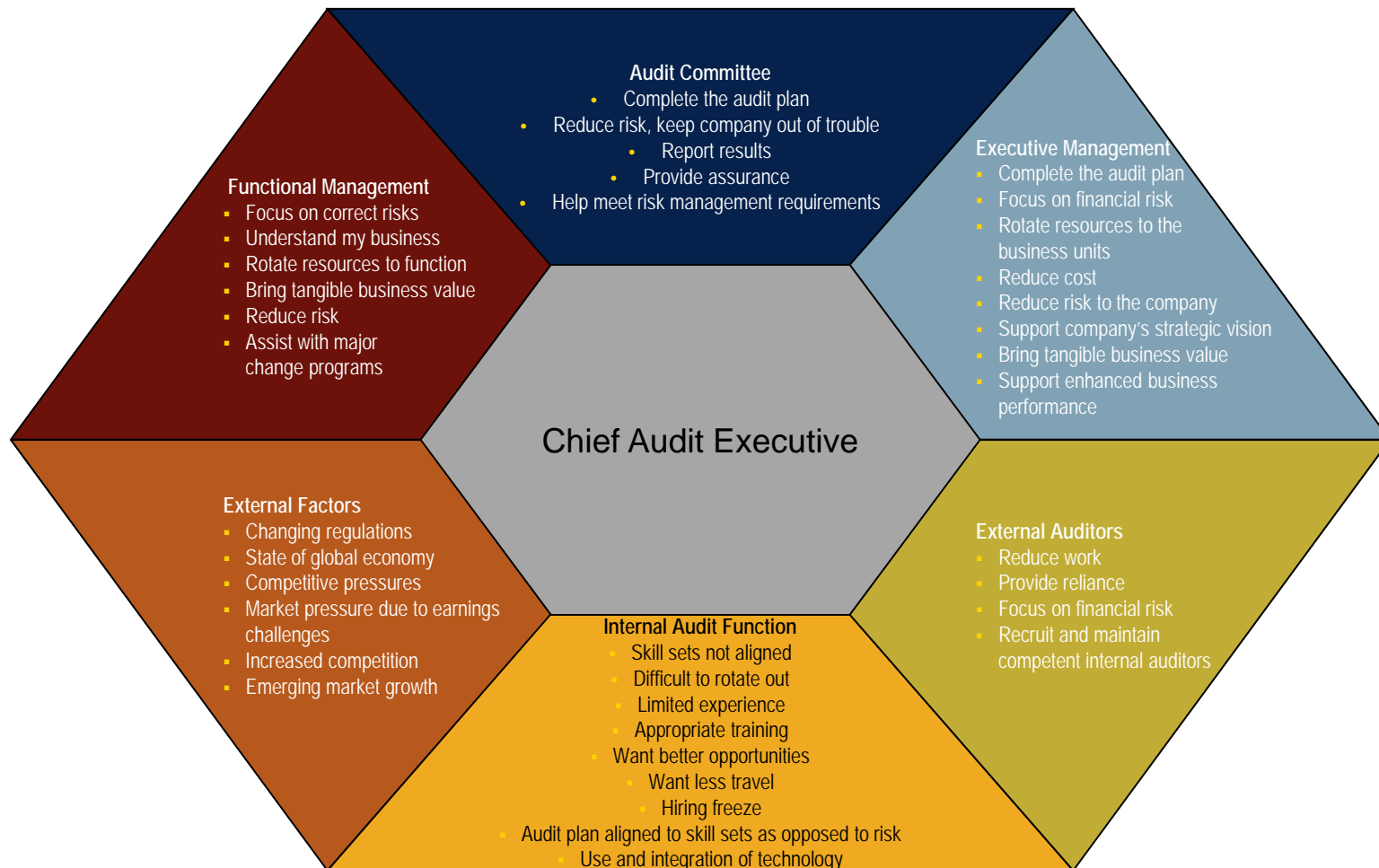
# Internal Audit Journey



## Internal Audit Projects: Moving Up the Value Pyramid



## Expectations of the Internal Audit Function



# Internal Audit Maturity Model

## Alignment With Business Performance

Focus Area	Basic	Evolving		Established		Advanced		Leading
Stakeholder Expectations	Internal audit stakeholders and expectations may be narrowly defined.	•	•	•	•	•	•	Internal audit purpose and mandate is directly aligned with stakeholder expectations.
Business Objectives	Internal audit activities may not be aligned to achievement of business objectives.	•	•	•	•	•	•	Scope of all internal audit activities directly supports one or more business objectives.
Internal Audit Enabled Business Performance	Internal audit activities are primarily focused on risk and compliance.	•	•	•	•	•	•	Internal audit focuses on risks that would inhibit achievement of business objectives, enables value creation, and supports cost reduction.
Mandate	Internal audit strategy and objectives are narrowly defined with little or no input from executive management or the audit committee.	•	•	•	•	•	•	Internal audit strategy, objectives and value contribution to the business are co-developed with executive management and the audit committee and are fully aligned with organizational strategies and business objectives.



- Focus on risks that matter
- Alignment to business objectives
- Creation of competitive advantage



- Lower costs
- Greater efficiency
- Less complexity



- Broader risk coverage
- Improved coordination
- Proactive approach



# Internal Audit Maturity Model

## Alignment With Business Performance

Focus Area	Basic	Evolving	Established		Advanced		Leading	
People	Internal audit does not use a people model to identify and align skills with primary risk areas and internal/external stakeholder expectations.		•	•	•	•	•	Internal audit function uses a formalized people model to document skills by level and align skills with primary risk areas and internal/external stakeholder expectations and then uses flexible sourcing of the resources with required skills.
Methods	Internal audit needs assessment does not reflect the business strategy and risk profile.		•	•	•	•	•	Full coordination and integration of risk assessment/audit planning and internal audit activities include regular updates to the audit needs assessment and re-evaluation of significant business risks during the year.
Technology Enablement	Internal audit uses basic tools and technology with limited efficiency.		•	•	•	•	•	Internal audit uses leading-edge tools and technologies that enable effective/efficient work streams, continuous risk monitoring, collaborative efforts, and efficient knowledge exchange.



- Focus on risks that matter
- Alignment to business objectives
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## Appendix – Internal Audit Maturity Models: Detailed Overview

# Internal Audit Maturity Model – Governance

Components		Basic	Evolving	Established	Advanced	Leading
Governance	Board and Management Committees	<ul style="list-style-type: none"> <li>IA performs no activities to assess the structure and operation of governance policies, procedures, and reporting.</li> </ul>	<ul style="list-style-type: none"> <li>As a byproduct of its work, IA provides informal feedback about the structure and operation of governance policies, procedures, and reporting.</li> </ul>	<ul style="list-style-type: none"> <li>As part of a control environment assessment, IA considers the structure and operation of governance policies, procedures, and reporting.</li> </ul>	<ul style="list-style-type: none"> <li>As part of an enterprise risk assessment and in an effort to help drive change and facilitate solutions, IA provides input and advice on the fundamental structure and operation of governance policies, procedures, and reporting.</li> </ul>	<ul style="list-style-type: none"> <li>IA performs independent and objective activities to assess, at least quarterly, the fundamental structure and operation of governance policies, procedures, and reporting against leading practices for robust risk governance across the enterprise.</li> </ul>
	Organizational Structure and Roles	<ul style="list-style-type: none"> <li>IA performs no activities to assess whether the company's organizational structure facilitates sound risk management practices and clear accountability and roles and responsibilities across levels of the organization.</li> <li>The role and authority of IA are not clearly documented in formal policies and procedures.</li> <li>The importance of IA role is not fully supported by the organization's structure, communications, and actions (e.g., CAE job rank is below VP level, CAE administrative reporting line is not to C-suite member, nature or length of CAE presentations at audit committee meetings is restrictive, IA is not always fully supported by executive management in contentious dealings with auditees).</li> </ul>	<ul style="list-style-type: none"> <li>As a byproduct of its work, IA provides informal feedback about whether the company's organizational structure facilitates sound risk management practices and clear accountability and roles and responsibilities.</li> <li>The role and authority of IA are documented in policies and procedures but are not well-communicated or well-understood within the organization.</li> <li>Organization's understanding of the importance of IA role is evolving (e.g., newly hired CAE with increased skills and experience level and rank within the organization, increase in IA budget and head count, increased attention by audit committee and executive management, quality assessment commissioned by executive management to set a road map for IA improvements).</li> </ul>	<ul style="list-style-type: none"> <li>As part of a control environment assessment, IA performs formal activities to assess whether the company's organizational structure facilitates sound risk management practices and clear accountability and roles and responsibilities.</li> <li>IA participates with other risk functions on a risk committee. However, the degree of cooperation and integration of risk management approach, activities, and reporting are still evolving.</li> <li>Importance of IA role is recognized in the organization's structure, communications, and many actions. However, IA is not fully embraced as a strategic partner for the business (e.g., IA is not proactively involved in major organizational initiatives, CAE is not routinely invited to participate in meetings of the company's executive operating committee).</li> </ul>	<ul style="list-style-type: none"> <li>IA is part of a risk committee that considers whether the company's organizational structure facilitates sound risk management practices and clear accountability and roles and responsibilities across the organization.</li> <li>IA participates with other risk functions on a risk committee. A coordinated and integrated risk management approach, activities, and reporting have been defined and are in an early stage of implementation.</li> <li>Importance of IA role is recognized in the organization's structure, communications, and most actions. CAE has a role as a member of business leadership (e.g., periodically invited to participate in meetings of the company's executive operating committee).</li> </ul>	<ul style="list-style-type: none"> <li>IA performs independent and objective activities to assess whether the company's organizational structure facilitates sound risk management practices and clear accountability and roles and responsibilities across all levels of the organization.</li> <li>Overall risk management approach, activities, and reporting are highly integrated, effective, and efficient among IA and the various risk functions and support strategic and operational business objectives.</li> <li>Importance of IA role is recognized in the organization's structure, communications, and Actions. CAE is a significant member of business leadership and has a seat at the table for executive-level meetings and decisions.</li> </ul>

## Internal Audit Maturity Model – Governance - Continued

Components		Basic	Evolving	Established	Advanced	Leading
Governance	Policies and Procedures	<ul style="list-style-type: none"> <li>Departmental policies and procedures are not documented.</li> </ul>	<ul style="list-style-type: none"> <li>Some departmental policies and procedures are documented but are limited in detail.</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise- and departmental-level policies and procedures are documented and have been communicated for IA. However, the manner in which IA coordinates with other risk functions is not clearly defined or communicated throughout the organization.</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise- and departmental-level policies and procedures regarding the role and authority of IA and its coordination with other risk functions are newly developed and still require communication and acceptance within the organization.</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise- and departmental-level policies and procedures regarding the role and authority of IA and its coordination with other risk functions reflect the values of the organization and are effectively communicated and understood throughout the IA function and the organization.</li> </ul>
	Internal and External Communication	<ul style="list-style-type: none"> <li>No established protocols exist for communicating, elevating, and resolving significant audit findings.</li> <li>IA communications do not consider findings and results from other risk functions and activities.</li> </ul>	<ul style="list-style-type: none"> <li>Informal protocols exist for communicating, elevating, and resolving significant audit findings.</li> <li>IA communications provide facts or conclusions with little insight.</li> </ul>	<ul style="list-style-type: none"> <li>Established protocols for communicating, elevating, and resolving significant findings are in place for IA. However, a consistent, consolidated approach to look at findings across the risk functions does not exist.</li> <li>IA communications include findings and recommendations and may include root cause analyses.</li> </ul>	<ul style="list-style-type: none"> <li>Established protocols for communicating, elevating, and resolving significant findings are in place for IA. Findings from each risk function are reviewed manually for cross-functional issues.</li> <li>IA communications include findings, risk, impact, business-tuned recommendations, and strategic insights in a manner that the business can clearly understand and respond to.</li> </ul>	<ul style="list-style-type: none"> <li>Established protocols for communicating, elevating, and resolving significant findings in a timely manner are in place for IA. Findings from each risk function are consolidated into a common mechanism that facilitates automated review for cross-functional issues.</li> <li>IA communications focus on issues of most significance and provide strategic insight, issue trending, and benchmarking as well as recommendations that address the root causes of issues.</li> </ul>

## Internal Audit Maturity Model – Risk Management

Components		Basic	Evolving	Established	Advanced	Leading
Risk Management	Risk Monitoring	<ul style="list-style-type: none"> <li>IA does not perform activities to assess whether processes and reporting are in place to monitor significant risks and risk indicators.</li> <li>Internal audit plan does not include projects or activities to assess whether management activities for monitoring enterprise risks are being carried out effectively by the business.</li> </ul>	<ul style="list-style-type: none"> <li>As a byproduct of its work, IA provides informal feedback about existence and effectiveness of processes and reporting in place to monitor significant risks and risk indicators.</li> <li>As a byproduct of its work, IA provides informal feedback about whether management activities for monitoring enterprise risks are being carried out effectively by the business.</li> </ul>	<ul style="list-style-type: none"> <li>As part of an annual control environment assessment, IA assesses processes and reporting in place to monitor significant risks and risk indicators.</li> <li>As part of an annual control environment assessment, IA considers whether management activities for monitoring enterprise risks are being carried out effectively by the business.</li> </ul>	<ul style="list-style-type: none"> <li>IA considers at a high level whether management activities for monitoring enterprise risks are being carried out by the business.</li> <li>Internal audit plan includes independent and objective projects or activities to assess whether management activities for enterprise risk monitoring are being carried out effectively by the business.</li> </ul>	<ul style="list-style-type: none"> <li>Internal audit uses business-level risk monitoring as an input to the audit needs assessment.</li> <li>Internal audit conducts risk monitoring activities to inform the internal audit focus and plan. These risk monitoring activities are coordinated with and incorporate information from other risk functions.</li> </ul>
	Compliance and Business Practices	<ul style="list-style-type: none"> <li>IA does not perform activities to assess how the organization is maintaining compliance with applicable rules and regulations and enforcing its standards related to prudent business practices.</li> </ul>	<ul style="list-style-type: none"> <li>As a byproduct of its work, IA provides informal feedback about how the organization is maintaining compliance with applicable rules and regulations and enforcing its standards related to prudent business practices.</li> </ul>	<ul style="list-style-type: none"> <li>As an embedded part of its work, IA considers how the organization is maintaining compliance with applicable rules and regulations and enforcing its standards related to prudent business practices.</li> </ul>	<ul style="list-style-type: none"> <li>IA is part of a committee or other structure that considers at a high level how the organization is maintaining compliance with applicable rules and regulations and enforcing its standards related to prudent business practices.</li> </ul>	<ul style="list-style-type: none"> <li>IA performs independent and objective activities to assess how the organization is maintaining compliance with applicable rules and regulations and enforcing its standards related to prudent business practices to enable the achievement of strategic and operational business objectives.</li> </ul>

# Internal Audit Maturity Model – Risk Management – Continued

Components		Basic	Evolving	Established	Advanced	Leading
Risk Management	Risk Monitoring	<ul style="list-style-type: none"> <li>IA assesses the risk management activities throughout some of the organization and provides the audit committee with information about the adequacy and effectiveness of those activities.</li> <li>Risk assessment does not cover all types of risk (strategic, business, operational, and financial) and does not incorporate risk data from other risk management functions. Higher risk and mandatory requirements are not prioritized.</li> </ul>	<ul style="list-style-type: none"> <li>IA assesses the risk management activities throughout most of the organization and provides the audit committee with information about the adequacy and effectiveness of those activities.</li> <li>Risk assessment contemplates some types of risk applicable to the organization (strategic, business, operational, and financial) but does not incorporate risk data from other risk management functions into the assessment.</li> </ul>	<ul style="list-style-type: none"> <li>IA assesses the risk management activities throughout most of the organization, including significant business units in the organization, and provides the audit committee with information about the adequacy and effectiveness of those activities.</li> <li>Risk assessment contemplates all types of risk applicable to the organization (strategic, business, operational, and financial) and incorporates limited risk data from other risk management functions into the assessment.</li> </ul>	<ul style="list-style-type: none"> <li>IA assesses the risk management activities throughout the entire organization, including significant business units in the organization, and provides the audit committee with detailed information about the adequacy and effectiveness of those activities.</li> <li>Risk assessment contemplates all types of risk applicable to the organization (strategic, business, operational, and financial) and incorporates several channels of risk data from other risk management functions into the assessment.</li> </ul>	<ul style="list-style-type: none"> <li>IA assesses the risk management activities throughout the organization, including significant business units in the organization, and provides the audit committee with information about the adequacy and effectiveness of those activities, including integration into strategic and operational business plans.</li> <li>Risk assessment contemplates all types of risk applicable to the organization (strategic, business, operational, and financial) and incorporates all channels of risk data from other risk management functions into the assessment.</li> <li>Risk assessment is a continuous process enabled by flows of information from throughout the organization and analytics- enabled analyses (e.g., scorecards, trends, KRIs, KPIs). The audit function can identify real-time changes to the risk profile of the organization, proactively monitor for emerging risks, and adjust the audit needs assessment and plan accordingly.</li> </ul>
	Compliance and Business Practices	<ul style="list-style-type: none"> <li>Internal audit's plan does not take into consideration the firm's risk tolerances.</li> </ul>	<ul style="list-style-type: none"> <li>Internal audit is aware of and informally considers the firm's risk tolerances, but consideration of the tolerances is not documented in the audit needs assessment.</li> </ul>	<ul style="list-style-type: none"> <li>Internal audit incorporates an assessment of the organization's established risk tolerances at least annually through a control environment assessment, which has an impact on the audit needs analysis.</li> <li>Internal audit performs limited assessment to validate that management is monitoring regarding established risk tolerances.</li> </ul>	<ul style="list-style-type: none"> <li>Internal audit incorporates assessment of risk tolerances as part of the audit needs assessment.</li> <li>Internal audit assesses alignment with established risk parameters in each audit project.</li> <li>Minimal reporting to the audit committee is done regarding risk tolerances.</li> </ul>	<ul style="list-style-type: none"> <li>Risk tolerances and risk analyses are embedded in the internal audit approach and internal audit needs assessment. Regular reporting to the audit committee includes information on risk tolerance adequacy and management's controls to monitor against risk tolerance breaches.</li> </ul>

## Internal Audit Maturity Model – Capabilities: Mandate

Components		Basic	Evolving	Established	Advanced	Leading
Capabilities	Mandate	<ul style="list-style-type: none"> <li>IA strategy and objectives are described in an IA charter that follows the basic IIA template. The charter is reviewed annually by the AC, but there is no significant AC discussion or input by executive management, and alignment with organizational strategies and business objectives is not a stated goal.</li> <li>IA's coverage and scope are narrowly defined to focus on either financial or operational matters.</li> <li>Overall risk management approach, activities, and reporting are not integrated among IA and the various risk functions.</li> </ul>	<ul style="list-style-type: none"> <li>IA strategy and objectives and value to the business are defined by IA with input from the business stakeholders and are reviewed with the audit committee and executive management. IA plan includes a limited number of projects that align with organizational strategies and business objectives in areas where IA has known capabilities.</li> <li>IA is primarily focused on financial and operational matters with occasional projects focused on other aspects of the risk universe.</li> <li>Limited meetings and interactions occur among IA and other risk function leads. There is little coordination or cooperation.</li> </ul>	<ul style="list-style-type: none"> <li>IA strategy, objectives, and value to the business are co-developed with high-level input from executive management and the audit committee and include a number of projects that align with organizational strategies and business objectives in areas in which IA capabilities permit.</li> <li>IA mandate covers risk scope across the organization including strategic, business, operational, and financial risk categories. Coverage is more heavily weighted to financial and operational matters.</li> <li>Limited meetings and interactions occur among IA and other risk function leads. Coordination and cooperation exist among the risk functions.</li> </ul>	<ul style="list-style-type: none"> <li>IA strategy, objectives, and value to the business are substantially co-developed with significant input from executive management and the audit committee and generally align with organizational strategies and business objectives.</li> <li>IA mandate covers risks across the organization including strategic, business, operational, and financial risk categories. Most risk categories get coverage in the annual plan.</li> <li>Frequent meetings and interactions occur among IA and other risk function leads. Coordination and cooperation exist among the risk functions.</li> </ul>	<ul style="list-style-type: none"> <li>IA strategy, objectives, and value to the business are fully co-developed with extensive input from all significant stakeholders, including executive management and the audit committee, and fully align with organizational strategies and business objectives. An IA strategic plan is in place that sets the direction of the function.</li> <li>IA mandate covers all significant risks across the organization including strategic, business, operational, and financial risk categories. All are given the appropriate level of focus taking into account the firm's risk profile and stakeholder expectations.</li> <li>Constant interactions occur among IA and other risk function leads. Coordination and cooperation exist among the risk functions.</li> </ul>

## Internal Audit Maturity Model – Capabilities: People

Components		Basic	Evolving	Established	Advanced	Leading
Capabilities	People	<ul style="list-style-type: none"> <li>The function maintains a limited core group of personnel with basic ability to provide coverage of certain risk areas.</li> <li>There is capability to meet only basic IA needs and routine audit coverage.</li> <li>Rotation and guest internal auditor programs are not used.</li> <li>Alternative resourcing strategies (e.g., outsourcing/offshoring) are not used or being contemplated.</li> </ul>	<ul style="list-style-type: none"> <li>The function heavily relies on a limited number of significant personnel and is challenged in providing broad and effective coverage.</li> <li>The function understands the skill sets and subject matter knowledge needed to fulfill its responsibilities but has limited resources with the requisite competencies.</li> <li>Guest internal auditor and rotation programs are unstructured. Individuals are deployed for guest auditor projects or rotational stints in IA on a one-off basis and relatively infrequently.</li> <li>IA is gaining familiarity with the concept of alternative sourcing strategies and may use a service provider for loaned staff to fill personnel gaps.</li> </ul>	<ul style="list-style-type: none"> <li>The function uses a core group of personnel to meet its needs and provide coverage of most of the significant risk areas.</li> <li>The function has defined the skills needed and has resources with the requisite competencies to fulfill many of its responsibilities.</li> <li>A structured guest auditor and IA rotation program is in place but is limited to handful of individuals in select competencies. Benefits of the program for IA and for the individuals deployed are considered to be modest, and areas for improvement have been identified.</li> <li>IA regularly uses alternative sourcing strategies (e.g., cosourcing) to obtain specific skills.</li> </ul>	<ul style="list-style-type: none"> <li>The function has defined the skills needed and proactively recruits and aligns resources with the requisite competencies to fulfill their responsibilities.</li> <li>Resource and experience gaps are filled using alternative sourcing strategies.</li> <li>Rotation and guest internal auditor programs show significant effectiveness in achieving goals including provision of business knowledge to IA team, knowledge transfer, increased control awareness among business personnel, skills development, career enhancement, and provision of a talent pool to the organization.</li> <li>IA uses alternative sourcing with the goal of obtaining the right skills at the best cost.</li> </ul>	<ul style="list-style-type: none"> <li>IA has internal staff or access to staff of high caliber with a high level of experience and expertise to comprehensively cover strategic risk areas and complex business processes as well as engage in frequent interactions at a board and executive level.</li> <li>Alternative sourcing strategies are part of the resource plan to fulfill IA responsibilities using people who have deep skills and competencies.</li> <li>Rotation and guest internal auditor programs effectively achieve all goals including provision of business knowledge to IA team, knowledge transfer, increased control awareness among business personnel, skills development, career enhancement, and provision of a talent pool to the organization.</li> <li>Function uses offshoring or low-cost countries to source audit talent.</li> </ul>



## Internal Audit Maturity Model – Capabilities: People – Continued

Components		Basic	Evolving	Established	Advanced	Leading
Capabilities	People	<ul style="list-style-type: none"> <li>Defined processes to identify, map, and retain personnel are not maintained.</li> <li>Personnel are not required to have personal learning and development plans.</li> <li>Personnel development programs and competency mapping are not used. Basic core learning courses exist.</li> <li>Succession planning is not performed.</li> <li>Assistance in individual career mapping is not provided.</li> </ul>	<ul style="list-style-type: none"> <li>Informal succession planning and career planning exist. Informal processes exist to identify, map, and retain the required personnel.</li> <li>Informal learning plans exist.</li> <li>Personnel development policies are not detailed, and competency mapping is not performed. A basic learning program exists.</li> <li>Informal succession planning and career planning exist.</li> </ul>	<ul style="list-style-type: none"> <li>Processes to identify, map, and retain the required personnel are documented but are not fully implemented by management.</li> <li>Learning maps exist at a basic level. A basic learning program exists and is linked to personnel learning maps.</li> <li>The function has formal policies that include succession planning and career mapping.</li> <li>Career planning is discussed annually.</li> </ul>	<ul style="list-style-type: none"> <li>Career development is a priority. Processes to identify, map, and retain the required personnel are documented and fully implemented by management.</li> <li>Competency models exist, and learning maps have been linked to the competency models.</li> <li>A complete technical/soft-skill learning program exists and directly supports individual learning maps.</li> <li>Succession planning exists for all personnel.</li> </ul>	<ul style="list-style-type: none"> <li>Defined competency models and learning maps exist by level/ specialized position, and management understands the current competencies of individual personnel. Formal appraisals are conducted at least semi-annually.</li> <li>Personnel learning maps are reviewed regularly and updated for the changing needs of the individual, function, and organization.</li> <li>Development includes a combination of learning, experiences, and coaching/mentoring.</li> <li>Succession planning and career mapping are integrated and actively tracked.</li> </ul>

# Internal Audit Maturity Model – Capabilities: Methods

Components		Basic	Evolving	Established	Advanced	Leading
Capabilities	Methods: Validations and Assurance	Internal audit provides highly reliable business assurance on internal controls.				
	People	<ul style="list-style-type: none"> <li>Internal audit prepares the IA plan without significant interactions with the business stakeholders, the C-suite, or the AC. A single C-suite executive may heavily influence the plan content and IA operating budget.</li> <li>An IA plan is developed based on an annual risk assessment and generally remains static.</li> </ul>	<ul style="list-style-type: none"> <li>High-level input is received from a limited number of business stakeholders and C-level/executive management for the development of the IA plan. The IA plan is reviewed and approved at the AC level.</li> <li>An IA plan is developed based on an annual risk assessment. Adjustments are typically limited to very significant business changes or requests that are identified through day-to-day exposure to the business. A small portion of the IA budget is held as unassigned for special projects or unforeseen events. Changes are approved by the AC.</li> </ul>	<ul style="list-style-type: none"> <li>A wide range of business stakeholder and C-level/executive management input is obtained through surveys and interviews for the development of the IA plan. The IA plan is reviewed and approved at the AC level.</li> <li>An annual IA plan is developed based on an annual risk assessment, but it is understood with the AC that the plan is subject to adjustment based on changing business circumstances. IA proposes changes based on monitoring business events and having set periodic discussions with business stakeholders. Changes are approved by the AC.</li> </ul>	<ul style="list-style-type: none"> <li>The internal audit needs assessment documents agreed stakeholder needs and the intended business outcomes. Significant stakeholder and C-level/executive management input and other inputs are frequently obtained for the development of the plan, and stakeholder views are often reflected back into the needs assessment, which is critically appraised and approved at the audit committee level.</li> <li>The audit plan is developed on a dynamic and flexible basis; the plan is set annually and revisited and adjusted as appropriate at least quarterly.</li> </ul>	<ul style="list-style-type: none"> <li>The internal audit needs assessment clearly documents agreed stakeholder needs and the intended business outcomes. Significant stakeholder and C-level/executive management input is required throughout the development of the plan. Stakeholder views are constantly reflected back into the audit needs assessment, which is critically appraised and approved at the audit committee level at every meeting.</li> <li>The audit plan is developed in a dynamic and flexible format, whereby the next three months' work is firmly planned, and the subsequent nine months' work could be subject to change.</li> </ul>

## Internal Audit Maturity Model – Capabilities: Methods - Continued

Components		Basic	Evolving	Established	Advanced	Leading
Capabilities	Methods: Planning and Approach	<ul style="list-style-type: none"> <li>Project-level audit planning generally is done with limited auditee involvement and rarely results in deviations from the original scope.</li> <li>Methods, policies, and procedures are not formally documented.</li> <li>Project-level audit planning is generally done with no consideration of best use of efforts and no knowledge of resource input.</li> <li>IA coverage techniques (audit response) are not distinguished based on risk of the topic or area under consideration.</li> </ul>	<ul style="list-style-type: none"> <li>Project-level audit planning generally includes an audit entrance meeting where auditee concerns and preferences regarding scope can be discussed.</li> <li>Some documented methods, policies, and procedures exist but are limited in detail. Methods are informal and learned on the job.</li> <li>Project-level audit planning includes limited consideration of best use of efforts, and basic knowledge resources are rarely consulted.</li> <li>IA coverage techniques (audit response) are only modestly distinguished based on risk of the topic or area under consideration.</li> </ul>	<ul style="list-style-type: none"> <li>Project-level audit planning includes discussions with auditee management about significant risks.</li> <li>Documented methods, policies, and procedures exist and are updated annually.</li> <li>Project-level audit planning includes consideration of best use of efforts, and basic knowledge resources are consulted.</li> <li>Lower-risk areas are distinguished from higher-risk areas for purposes of determining form of IA coverage (audit response).</li> <li>Lower risks are typically subjected to shorter, higher-level reviews, and IA is more likely to rely on self-assessment activities occurring in these areas.</li> </ul>	<ul style="list-style-type: none"> <li>Project-level audit planning is done with a high degree of auditee input.</li> <li>Documented policies and procedures as well as significant IA methods are in place, are maintained, and cover the full internal audit cycle.</li> <li>Project-level audit planning frequently uses insight from data analyses, knowledge resources, and subject-matter specialists.</li> <li>Form of IA coverage (audit response) is heavily influenced by risk rating. IA is in the process of deploying continuous monitoring techniques for certain moderate and lower-risk areas.</li> </ul>	<ul style="list-style-type: none"> <li>Project-level audit planning is done with a high degree of auditee input and regular communication regarding the scope of the project.</li> <li>Documented methods, policies, and procedures as well as significant IA methods are in place, are maintained, and support execution of the function's primary activities as outlined in its charter.</li> <li>Project-level audit planning uses insight from various internal and external analyses, knowledge resources, and subject-matter specialists.</li> <li>The audit response and approach is completely aligned with the level of risk. Lower-risk areas are subject to continuous monitoring by internal audit.</li> </ul>

# Internal Audit Maturity Model – Capabilities: Methods - Continued

Components		Basic	Evolving	Established	Advanced	Leading
Capabilities	Methods: Reporting	<ul style="list-style-type: none"> <li>IA reports are standardized and long form in nature.</li> <li>Root causes and broader impacts are not identified and addressed.</li> <li>Control suggestions and associated costs are not rationalized based on the estimated risk impact, risk likelihood, and relevance to strategic and operational objectives.</li> </ul>	<ul style="list-style-type: none"> <li>IA works off a standardized long-form report format, but it can be customized for particular circumstances.</li> <li>Root causes and broader impacts are sometimes identified and addressed.</li> <li>Control suggestions and associated costs are sometimes rationalized based on the estimated risk impact, risk likelihood, and relevance to strategic and operational objectives.</li> </ul>	<ul style="list-style-type: none"> <li>A standardized report format is used that has been influenced significantly by feedback from business management. A concise executive summary is provided to facilitate review by executives or ancillary readers.</li> <li>Root causes are analyzed and cost-benefit considered for all findings. Where identified, broader impacts are described.</li> <li>Control suggestions and associated costs are often rationalized based on the estimated risk impact, risk likelihood, and relevance to strategic and operational objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Audit report design is flexible to accommodate varying circumstances and audiences. All reports are as concise as possible, and a “single-sheet” executive synopsis is provided consistently. All reports include root causes and describe cost-benefit implications as well as broader implications where applicable.</li> <li>Reports often refer to results of data analytics or industry benchmarks where relevant.</li> <li>Most control suggestions and associated costs are rationalized based on the estimated risk impact, risk likelihood, and relevance to strategic and operational objectives.</li> </ul>	<ul style="list-style-type: none"> <li>All IA communications are open, clear, timely, and concise in alignment with corporate culture and stakeholder preferences and are tailored for the level of audience (business-level management, executive management, audit committee) and for the type of IA project (assessment, advisory, monitoring). Critical issues are escalated in a timely manner.</li> <li>IA goes beyond the reporting of facts and recommendations to include root causes and contributing factors. All broader impacts are identified, and a plan for monitoring changes and Improvements is created.</li> <li>Internal audit provides an annual report on overall effectiveness of controls, governance, and risk management.</li> <li>All control suggestions and associated costs are rationalized based on the estimated risk impact, risk likelihood, and relevance to strategic and operational objectives.</li> </ul>
	Methods: Issue Tracking	<ul style="list-style-type: none"> <li>Remediation tracking is largely left to the business. IA reviews and tests remediation as part of follow- up audits.</li> </ul>	<ul style="list-style-type: none"> <li>IA maintains an issue tracking database and reports status to the AC and business stakeholders, but remediation status is largely based on representations from the business, as opposed to independent validation.</li> </ul>	<ul style="list-style-type: none"> <li>IA maintains an issue tracking database and has a structured approach to performing verification procedures to show that remediation measures have been implemented. Verification methods vary in nature and detail based on the risk associated with the finding.</li> </ul>	<ul style="list-style-type: none"> <li>IA and other risk functions maintain separate robust processes for issue tracking but populate a common tracking and reporting mechanism to provide a consolidated view of issues and status. Basic analyses are performed on issues across the organization.</li> </ul>	<ul style="list-style-type: none"> <li>Cross-organizational issues in remediation are analyzed and reviewed for trends as well as enterprise wide impact and themes as they relate to areas under review.</li> <li>IA reports “connect the dots” for stakeholders on cross-enterprise issues and impacts.</li> </ul>

## Internal Audit Maturity Model – Technology Enablement

Components		Basic	Evolving	Established	Advanced	Leading
Technology Enablement	Integration, Knowledge Management, Analytics, and Business Intelligence	<ul style="list-style-type: none"> <li>IA maintains access to technology and tools to enable it to perform only some core internal audit activities such as work paper documentation and repositories.</li> <li>IA uses technology to make some internal audit knowledge available for personnel. Knowledge is updated periodically – not more often than annually.</li> <li>Technology is not being used to drive integration and coordination of IA with other risk management activities.</li> </ul>	<ul style="list-style-type: none"> <li>There is limited use of technology to enable audit project execution through basic data analytics.</li> <li>Various technologies are used to allow some knowledge sharing.</li> <li>Limited technology is used strictly inside the IA department.</li> </ul>	<ul style="list-style-type: none"> <li>Tools and technology are deployed but are not fully integrated.</li> <li>Discrete technologies are used to enable knowledge sharing.</li> </ul>	<ul style="list-style-type: none"> <li>IA is fully enabled by tools and technology that allow it to perform effectively. Opportunity exists for further development and integration. So, “audit responses” are tailor-made but still likely to involve a single “standard audit visit.”</li> <li>Multiple technologies are used to enable research and knowledge sharing.</li> <li>Technology and software have been selected to drive integration and coordination of IA with other risk management activities. Tools are used to automate capture of performance and monitoring data related to the management of risks.</li> </ul>	<ul style="list-style-type: none"> <li>IA benefits from leading-edge tools and technologies that enable effective/ efficient work streams, collaborative efforts across the function, and efficient knowledge exchange.</li> <li>Multiple internal/external Knowledge sources are available And enable from a single technology.</li> <li>The ability to contribute and exchange knowledge is technology enabled. Multiple internal/external knowledge sources are available and enabled from a single technology source.</li> <li>Technology is being used to drive integration and coordination of IA with other risk management activities. An integrated tool is used to automate capture of performance and monitoring data related to the management of risks.</li> </ul>

## Internal Audit Maturity Model – Business Performance

Components		Basic	Evolving	Established	Advanced	Leading
Business Performance	IA Contribution to Business Performance	<ul style="list-style-type: none"> <li>IA generally does not provide strategic insight and perspective to the business.</li> <li>IA projects generally contribute little to the company's incremental understanding and evaluation of risks.</li> <li>IA projects generally provide little insight regarding the design and operational effectiveness and efficiency of processes and controls.</li> <li>IA generally does not facilitate increased reliance from regulators, external auditors, and other third parties.</li> <li>IA does not contribute to major change initiatives in the organization.</li> </ul>	<ul style="list-style-type: none"> <li>IA provides limited strategic insight and perspective to the business.</li> <li>IA projects infrequently contribute to the company's incremental understanding and evaluation of risks.</li> <li>IA projects infrequently provide meaningful insight regarding the design and operational effectiveness and efficiency of processes and controls.</li> <li>IA activities have a minor impact on reliance from regulators external auditors, and other third parties.</li> <li>IA may review major change initiatives after the fact and provide findings and recommendations to the business.</li> </ul>	<ul style="list-style-type: none"> <li>IA has access to a few knowledge resources for a subset of the IA plan deemed to be specialized areas (e.g., IT, tax) and provides strategic insight and perspective to the business in those areas.</li> <li>IA contributes to the company's understanding and evaluation of risks in targeted areas.</li> <li>IA contributes insight regarding the design and operational effectiveness and efficiency of processes and controls in targeted areas.</li> <li>IA facilitates reliance from regulators, external auditors, and other third parties in selected areas.</li> <li>IA participates on the team leading major change initiatives and provides commentary on control design and enhancements during the initiative.</li> </ul>	<ul style="list-style-type: none"> <li>IA has access to robust knowledge resources that provide regular strategic insight and perspective that is recognized by the business.</li> <li>IA regularly performs projects that are recognized by the business as contributing to the company's understanding and evaluation of risks.</li> <li>IA provides value-added business insight regarding the design and operational effectiveness and efficiency of processes and controls.</li> <li>IA facilitates broad reliance from regulators, external auditors, and other third parties.</li> <li>IA is a significant member of the project team on major change initiatives and contributes insights and ideas as well as process and control expertise.</li> </ul>	<ul style="list-style-type: none"> <li>IA synthesizes diverse sources of information to provide strategic insight and perspective to the business on industry or process leading practices as well as risks associated with major initiatives.</li> <li>IA performs projects that contribute to the company's understanding and evaluation of risks, increasing management's understanding and buy-in, and establishing short- and longer-term management action plans. This provides the company with confidence to take appropriate risk/opportunity as opposed to avoiding risk.</li> <li>IA regularly provides value-added business insight regarding the design and operational effectiveness and efficiency of processes and controls.</li> <li>IA facilitates maximum reliance from regulators, external auditors, and other third parties by evaluating how principal compliance risks are contemplated in the overall risk management infrastructure as well as through targeted compliance testing as determined in the audit planning process.</li> <li>IA is a significant member of the project team on major change initiatives and contributes insights and ideas as well as process and control expertise. IA serves as a change agent or catalyst for programs in the governance, risk, and compliance areas.</li> </ul>

## Internal Audit Maturity Model – Quality and Value

Components		Basic	Evolving	Established	Advanced	Leading
Quality and Value	Quality and Professional Practices	<ul style="list-style-type: none"> <li>Quality procedures are limited to on-the-job review and approval occurs in the course of IA delivery. There is no separate QA initiative.</li> <li>External quality assessments are not performed.</li> </ul>	<ul style="list-style-type: none"> <li>A formal QA process has been envisioned but is not operating consistently.</li> <li>External quality assessments are not performed but have been discussed.</li> </ul>	<ul style="list-style-type: none"> <li>A traditional after-the-fact QA program is operated and includes frequent internal assessments as well as a periodic external assessment.</li> <li>A periodic external quality assessment is scheduled to be performed for the first time.</li> </ul>	<ul style="list-style-type: none"> <li>A robust QA program is operating and includes some innovative methods in addition to traditional external reviews. A periodic external quality assessment is performed.</li> <li>A periodic external quality assessment is performed.</li> </ul>	<ul style="list-style-type: none"> <li>The QA process is fundamentally shifted from after-the-fact review to proactive quality coaching.</li> <li>Ongoing self-assessments are performed, and a periodic external quality assessment is conducted.</li> </ul>
	Value Scorecard	<ul style="list-style-type: none"> <li>IA has defined basic operational performance indicators, but these are not reviewed with business stakeholders or the AC.</li> </ul>	<ul style="list-style-type: none"> <li>IA performance is informally tracked with a developing balanced scorecard prepared by IA, and it is reviewed with the CAE's supervisor on an infrequent basis.</li> </ul>	<ul style="list-style-type: none"> <li>IA tracks performance with a balanced scorecard approved by the administrative owner of the function and the AC; the scorecard is reviewed annually.</li> </ul>	<ul style="list-style-type: none"> <li>IA co-develops a balanced scorecard with key stakeholders and the AC, and performance is reviewed more than annually.</li> </ul>	<ul style="list-style-type: none"> <li>IA measures are formally documented in a value scorecard containing a range of quantitative/ qualitative measures and are clearly understood and approved by executive management and the AC. They are reviewed at least annually.</li> </ul>
	IA Performance	<ul style="list-style-type: none"> <li>The internal audit financial budget is based heavily on the prior-year spend and is subject to cost-cutting targets in line with other areas of the business, notwithstanding the implications to risk coverage.</li> <li>Operational targets or expectations may be set on an informal basis. Targets may include input from auditees with most input being created internally by the function.</li> <li>IA costs are not benchmarked.</li> </ul>	<ul style="list-style-type: none"> <li>The internal audit financial budget is based heavily on the prior-year spend, but cost-cutting targets are not imposed in lean economic times in recognition of the fact the risk profile is likely not decreasing.</li> <li>Some KPIs/operational targets are established and informally reported, but target setting and effective performance monitoring are not in place.</li> <li>IA costs are informally benchmarked.</li> </ul>	<ul style="list-style-type: none"> <li>The internal audit financial budget is based on the prior-year spend as a starting point but is ultimately set based on a thoughtful discussion of the business risk profile.</li> <li>Clearly defined operational and performance targets, measures, and expectations are in place, but monitoring is infrequent.</li> <li>IA costs are benchmarked using publicly available information.</li> </ul>	<ul style="list-style-type: none"> <li>The internal audit financial budget is primarily set based on risk coverage needs as well as cost/ benefit considerations for "advisory" type project ideas.</li> <li>Internal audit performance is measured using a value scorecard agreed upon with stakeholders and reviewed at least annually.</li> <li>IA costs are benchmarked using publicly available information and information from business colleagues.</li> </ul>	<ul style="list-style-type: none"> <li>The internal audit financial budget is agreed on with stakeholders based on the coverage planned.</li> <li>Internal audit performance is measured and cost justified in collaboration with primary stakeholders using outcomes rather than activity as a measure.</li> <li>IA costs are benchmarked using publicly available information and taking into account specific dynamics such as regulation, geographic spread, and control environment.</li> </ul>

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