

Internal Audit Process Maturity

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Quality Assurance and Improvement Program – Key Characteristics

Policy	Methodology And Process	People	Systems and Information	Communication And Reporting
IIA <i>Standards</i> require that the Chief Audit Executive establish and maintain a Quality Assurance and Improvement Program.	The methodology upon which the Quality Assurance and Improvement Program is based is derived from the IIA <i>Standards</i> and related Practice Advisories.	Internal audit staff are aware of their responsibilities related to the Quality Assurance and Improvement Program and have received training as appropriate.	A standardized audit management system is used to document workpapers and can be heavily relied upon during the quality assessment process.	The results of periodic internal assessments are summarized and discussed with audit management and an action plan for improvements is developed and implemented.
IIA <i>Standards</i> require that the Chief Audit Executive communicate the results of the quality assurance and improvement program to senior management and the board.	The process to execute the Quality Assurance and Improvement Program is documented in the internal audit Policy and Procedure Manual.	Responsibility for implementation of the Quality Assurance and Improvement Program is assigned to personnel who are independent and objective.	Significant company systems are used to derive relevant Key Performance Indicators (KPIs) that are monitored and used during the internal quality assessment process.	The results of periodic internal assessments are reported to and reviewed with senior management and the Audit Committee.
The internal audit Policy and Procedure Manual describes the Quality Assurance and Improvement Program requirements.	The process is reviewed periodically to ensure it is current with IIA <i>Standard</i> requirements as well as consistent with leading internal audit practice.	External assessments are conducted by qualified personnel who are independent from the organization.		External assessment providers deliver qualitative and quantitative benchmarks that are reported to both management and the Audit Committee to facilitate continuous improvement.
The internal audit activity charter establishes the requirement for the Quality Assurance and Improvement Program.		Fully dedicated internal audit staff are assigned to perform the periodic internal quality assessments, with strong experience in internal audit and performing quality assessments.		Client Feedback forms are solicited and received back from each client and documented within the work papers to assist in continuous improvement of the internal audit processes.

Internal Audit Process Maturity

Quality Assurance and Improvement Program

Overall Maturity Level	Policy	Methodology And Process	People	Systems and Information	Communication And Reporting	Realization Of Value Proposition
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Managed	Policies are communicated to personnel and training occurs as necessary	Methodology and processes are communicated to personnel and training occurs as necessary	All resources have appropriate skills and credentials; targeted training and development in place	Data integrity is high; automated reports are reliable; key data is monitored continuously	Communication and reporting highly effective; quality and timeliness metrics defined and monitored	
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Initial	Policies are not defined or in place	Methodology and processes are not defined or in place	Resource skills and credentials do not match process requirements; training programs not defined	High reliance on manual systems and spreadsheets; critical information not readily available	Communication and reporting done on an ad hoc basis; no validation of results or focus on quality	
						Risk of Failure

Internal Audit Process Maturity

Recruiting, On-Boarding, and Staff Development – Key Characteristics

Policy	Methodology And Process	People	Systems and Information	Communication And Reporting
Job descriptions for Internal Audit demonstrate a clear link to the achievement of the Internal Audit Charter and strategy and are reviewed on a regular basis.	An approach for measuring the levels and quality of capabilities, skills, and business experience for individual internal audit staff has been established and used as the basis to perform a skills inventory.	Internal Audit's staffing model includes the concept of the "guest auditor" - personnel from the business participate on audits as a member of the audit team, contributing real-time risk and business expertise . In turn, they gain a unique and well-regarded development experience.	Internal Audit has designed and implemented a comprehensive on-board training program for newly hired Internal Audit personnel. The on-board training program orients new personnel to both the Internal Audit department and the larger organization.	Job roles and responsibilities, as well as career development opportunities, are discussed with staff and reviewed on a regular basis.
IIA <i>Standards</i> require that the Chief Audit Executive ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.	The processes to recruit talented individuals into the organization, provide orientation/on-boarding training, and provide continuing development and career opportunities for resources are documented in the internal audit Policy and Procedure Manual.	Rotation program is in place, yielding high-performing individuals into the business having experience within internal audit.	Internal Audit has developed and implemented a robust staff development and training curriculum.	Performance against expectations is reviewed on a regular basis and is communicated to the individual for continuous development.
IIA <i>Standards</i> require that internal auditors enhance their knowledge, skills, and other competencies through continuing professional development.	An internal audit training curriculum is formalized and includes both internal and external courses. Career paths, succession plans, and mentoring programs are formalized and in place.	Professional certification is required for career growth.		

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Recruiting, On-Boarding, and Staff Development

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Internal Audit Process Maturity

Risk Assessment and Annual Audit Planning – Key Characteristics

Policy	Methodology And Process	People	Systems and Information	Communication And Reporting
IIA <i>Standards</i> require that the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.	The methodology to execute the risk assessment and annual audit planning processes are described in the internal audit Policy and Procedure Manual.	Internal audit staff are aware of their responsibilities related to the Risk Assessment and Annual Audit Planning processes and have received training as appropriate.	Significant company systems are leveraged to proactively monitor key risk areas and key risk indicators. Results of such analyses are used to drive audit focus.	Internal Audit provides senior management and the Audit Committee with the risk assessment and annual audit plan. An analysis of the risks not included in the audit plan, the reasons for their exclusion ,and how/if each of those risks will be addressed is provided as well.
IIA <i>Standards</i> require that the internal audit activity evaluate the effectiveness and contribute to the improvement of risk management processes, including fraud risk.	There is a clear and documented linkage between the risk assessment results and the audit plan, in that the risk assessment is the key driver of the audit plan.	Internal Audit's use of subject matter specialists in their areas of expertise during the risk assessment process as appropriate to identify and address the organization's various risk elements.	Audit management systems are relied upon for risk assessment and audit planning purposes.	Internal Audit provides periodic updates to senior management and the Audit Committee regarding the status of the audit plan , as well as any additional risks that have been identified.
	The risk assessment process is undertaken from an enterprise-wide perspective and is re-evaluated on a continuous basis. The process looks at and plans for emerging risks on an ongoing basis and focus is on strategic and business risks.	Internal audit resources are appropriately aligned to functional areas of the organization to foster business/functional expertise and to maintain awareness of ongoing changes and challenges facing the business units. Resources can be rotated to develop additional skills and relationships.		Internal Audit coordinates audit coverage with other review functions such as risk management, compliance, and external auditors to ensure total risk coverage, prevent duplication of effort, and acquire knowledge about the process.

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Risk Assessment and Annual Audit Planning

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Internal Audit Process Maturity

Execution of Internal Audit Methodology – Key Characteristics

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IIA <i>Standards</i> require that the Chief Audit Executive establish policies and procedures to guide the internal audit activity.	In accordance with the <i>Standards</i> , internal audit has established and adheres to a Policy and Procedure Manual.	All members of the Internal Audit department have been trained in the concept and application of the methodology, as well as internal audit's policies and procedures, to ensure consistency across audit projects.	The methodology and tools are supported by the use of appropriate internal audit technology that supports Internal Audit in achieving its goals and objectives.	Prior to its adoption and implementation, the internal audit Policy and Procedure Manual is presented to and reviewed by the Audit Committee for approval.
Internal Audit has developed and implemented specific practices and procedures to support the delivery of non-assurance services, such as consulting services and corporate investigations. These practices are agreed with Management and the Audit Committee and they are documented in the Audit Charter.	The process to execute the internal audit methodology is documented in the internal audit Policy and Procedure Manual. The methodology includes clear guidance on work paper standards, work paper retention policies, audit evidence, and audit testing approaches, including specific guidance on SOX testing and use of CAATS.	Internal Audit utilizes external resources, such as the IIA and ISACA (for IT), to obtain updated work programs and audit guidance.	The information technology audit team participates in planning and implementation procedures for significant changes to the IT systems, processes, and/or controls.	During the on-boarding process, the internal audit Policy and Procedure Manual is communicated to new internal audit staff members and is available within a central knowledge repository.
IIA <i>Standards</i> require that the Chief Audit Executive effectively manage the internal audit activity to ensure it adds value to the organization.	Internal Audit utilizes an "integrated" audit approach where possible (e.g., application audits, business process reviews, end to end transaction processing).	The methodology includes procedures for the oversight of third-party service providers who support the delivery of internal audit work.		

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Execution of Internal Audit Methodology

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Internal Audit Process Maturity

Use of Information Technology – Key Characteristics

Policy	Methodology And Process	People	Systems and Information	Communication And Reporting
The key areas of the business keep abreast of changes taking place in their respective communities regarding tools, standards, techniques, and approaches by attending conferences, reading relevant literature, and meetings with other business areas, and they update their metrics and tools appropriately.	Internal Audit's overall information technology strategy (including use of CAATs, significant systems, workpaper tools, and knowledge management) and processes for use of information technology during the audits is documented in the internal audit Policy and Procedure Manual.	Internal Audit staff are trained in the company's information technology strategy, including use of workpaper tools, use of CAATs and significant systems, and data mining and analysis techniques.	Internal Audit uses integrated workpaper tools that link data from risk assessment through audit results to maximize the efficiency and effectiveness of the audit process. These integrated systems minimize the manual intervention needed to compare results, cross reference data, and leverage testing across audits. Additionally, modules are employed that facilitate metric reporting and budget-to-actual monitoring.	The electronic work paper system allows for reporting that is utilized across audits and individuals to drive internal audit KPI monitoring.
Internal Audit has developed a knowledge management strategy and, where applicable, is aligned with the organization's knowledge management strategy.	Technology used within Internal Audit is compatible with the rest of the organization to facilitate effective interchange.	Internal Audit has identified knowledge management champions who are responsible for executing the knowledge management strategy.	Internal Audit utilizes software to document and track status of identified issues within its department.	A knowledge awareness program has been created and a pocket guide is available and includes definitions of knowledge management, knowledge sharing principals, and the company's approach to knowledge management.
The risk management challenges associated with knowledge management are identified and addressed (e.g., copyright, obtaining employees consent, using knowledge properly).	Internal Audit employs data analysis and extraction tools for application within individual audits.	Complex and specialized information technology audits are regularly executed using subject matter experts beyond the core Internal Audit team.	The electronic work paper system allows for on-line, real-time reviews of internal audit work papers and maintains an electronic sign-off of all reviews performed.	Members of the internal audit team share and receive knowledge in an open environment.

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Internal Audit Process Maturity

Reporting and Monitoring – Key Characteristics

Policy	Methodology And Process	People	Systems and Information	Communication And Reporting
IIA <i>Standards</i> require that the Chief Audit Executive establish and maintain a system to monitor the disposition of results communicated to management.	The process to monitor the significant issues and recommendations for timely resolution by management is documented in the internal audit Policy and Procedure Manual.	Internal Audit personnel have been trained to prepare reports in accordance with internal audit policy and to monitor the resolution of issues/recommendations.	Significant company systems are used to derive relevant Key Performance Indicators (KPIs) that are monitored and communicated to management and the Audit Committee.	Internal Audit has identified external stakeholders and determined and documented the extent and process for communication and information sharing.
IIA <i>Standards</i> require that the Chief Audit Executive communicate engagement results to appropriate parties. If a final communication contains a significant error or omission, the Chief Audit Executive must communicate corrected information to all parties who received the original communication.	An arbitration/escalation process exists to resolve disagreements between Internal Audit and management to ensure that management's acceptance of risks are appropriately considered and resolved at a predetermined level within the organization.	The CAE is appropriately involved in reviewing/approving the results of internal audit engagements prior to their release to management.	Internal Audit leverages technology in communicating audit results. The reports are interactive and include links to sources or additional, more detailed information that may be of interest to different levels of readers.	Internal Audit periodically obtains stakeholder feedback on all aspects of reporting and communications and the value derived from internal audit activities. Summaries are communicated to management and the Audit Committee.
	Internal Audit's policies for communicating audit results are clearly documented in the internal audit Policy and Procedure Manual (definition of ratings, distribution protocols, and timing of issuance of reports).	Management of the information technology audit team is involved in determining the severity of the information technology audit findings and their implication on the audit as a whole.	An intranet or web-based mechanism is available to help management update the status of corrective actions implemented in response to internal audit's findings/recommendations. This database is leveraged by internal audit in assessing and reporting on all audit issues (open and closed).	An issue tracking report is prepared and distributed to senior management and Audit Committee. The report indicates significant issues, who is accountable for the issues, the proposed resolution, and date of resolution. The significant open issues are "aged".

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Reporting and Monitoring

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