

**E3: OVERVIEW OF MATURITY MODELS**

**Purpose: Provide guidance for applying the various maturity models**

**1. IIA Quality Assessment Manual Five-level Maturity Framework**

| Maturity Rating | Definition  |
|-----------------|---|
| Optimizing      | Processes are measurably well optimized, with a focus on driving innovation, adding strategic value, and contributing to organizational success. Internal auditors are proactive in identifying emerging risks and providing forward-looking insights. The internal audit function is seen as a trusted advisor and partner in achieving organizational objectives. |
| Managed         | The chief audit executive uses key performance indicators and measurable data when managing the internal audit function's performance. Internal auditors use data analytics and technology to enhance the efficiency and effectiveness of internal auditing. Through continuous improvement initiatives, processes are optimized to deliver greater value.          |
| Integrated      | Internal audit functions are well-managed and follow standardized processes, focusing on risk-based internal audit planning and performance. Quality assurance processes are established to monitor and improve the efficiency and effectiveness of internal auditing.  |
| Infrastructure  | Internal audit functions have an internal audit charter and established methodologies to ensure basic practices and processes for conducting engagements can be performed repeatably. However, the function may achieve only partial conformance with the Standards, with inconsistencies in the application of methodologies.                                      |
| Initial         | Internal audit methodologies are not formally defined or consistently applied. Internal audit activities are reactive, adding little value to the organization and its governance, risk management, and control processes.  |

Source: 2024 IIA Quality Assessment Manual

## 2. Internal Audit Maturity Assessment

| Internal Audit Maturity Assessment |   |   |   |  |   |  |
|------------------------------------|---|---|---|--|---|--|
|                                    | Governance  |   | Capability  |  | Performance   |  |
| Maturity Level                     | Structure   | Organizational Relationships  | Professional Practices  | People Management  | Services and Role   | Management and Accountability  |
| <b>Optimizing</b>                  | <ul style="list-style-type: none"> <li>Independence, power and authority of internal audit reinforced by the governing authority / board.</li> <li>Budget / funding based on organizational needs analysis.</li> </ul>  | <ul style="list-style-type: none"> <li>Client feedback actively sought and acted on.</li> <li>Effective and ongoing relationships with key stakeholders.</li> <li>Stakeholder management strategy in place and working effectively /-actively involves all levels of internal audit team / regularly updated based on feedback sought.</li> <li>Regular advice on organizational strategy development.</li> <li>Observer status / regular updates to organizational executive.</li> </ul> | <ul style="list-style-type: none"> <li>Internal audit seen as a source of innovation for internal audit techniques / business improvements prompted by internal audit services.</li> <li>Engagement planning adjusted for changes in circumstance.</li> <li>Internal audit prepares reports showing systemic issues found through its work.</li> <li>Automated system for receiving follow-up from management / high rate of audit recommendation clearance.</li> <li>Clear definition (delegation) of level of risk that can be accepted by management.</li> <li>Documented quality assurance program in place / quality assurance activities occur for internal audit engagements / internal assessment conducted annually / external assessment conducted at least every 5 years.</li> <li>Seen as an exemplar of internal audit practice.</li> <li>Strong outreach connection to the internal audit community.</li> </ul> | <ul style="list-style-type: none"> <li>Internal audit resources are credentialed / specialist resources regularly used including guest auditors.</li> <li>Annual declaration on ethical and professional behavior by internal audit staff and service providers.</li> <li>Training programs specific for internal audit staff competency improvement and advancement.</li> <li>Strong support for internal audit continuing professional development.</li> </ul> | <ul style="list-style-type: none"> <li>Internal audit strategy and implementation plan identifies resources necessary for internal audit to provide optimum internal audit service tailored for their organization.</li> <li>Internal audit facilitates corporate learning on the effects and impacts of the changing organizational environment.</li> <li>Internal audit recognized as a key agent of change.</li> <li>Internal audit focuses its work on organizational purpose and intended outcomes.</li> <li>Internal audit engagement plans use recognized frameworks.</li> </ul> | <ul style="list-style-type: none"> <li>Performance measures in place / used to drive continuous improvement.</li> <li>Measure of internal audit effectiveness established and agreed.</li> <li>Performance measures are stretch targets and may not be easily achieved.</li> <li>Internal audit prepares a comprehensive annual report that includes an opinion on internal controls.</li> </ul> <p>Internal audit consistently achieves general conformance with GIAS</p> |
| <b>Managed</b>                     | <ul style="list-style-type: none"> <li>Internal audit charter in place / reviewed annually / approved by governing authority / board / clearly linked to corporate governance objectives.</li> <li>Active engagement between chief audit executive / chief executive / audit committee.</li> <li>Portfolio level budget based on provision of both assurance services and advisory services.</li> </ul> | <ul style="list-style-type: none"> <li>Chief audit executive advises and influences top-level management.</li> <li>Stakeholder management strategy established.</li> </ul>  | <ul style="list-style-type: none"> <li>Engagement planning performed in collaboration with stakeholders.</li> <li>Consistent and effective work paper system in place.</li> <li>Data analytics and innovative audit techniques actively used.</li> <li>Internal audit reports contain management comments and actions to implement recommendations.</li> <li>Risk-based follow-up protocol established / collaborative approach to addressing risks / low number or overdue audit actions.</li> <li>Quality assurance activities occur for internal audit engagements / internal assessment conducted annually / external assessment conducted at least every 5 years.</li> </ul>   | <ul style="list-style-type: none"> <li>Internal audit resources are credentialed / specialist resources available when required.</li> <li>Ethics and professional behavior training conducted.</li> </ul>  | <ul style="list-style-type: none"> <li>Internal audit strategy considers assurance obligations of the organization and role of other assurance providers.</li> <li>Actively advises management on business improvement that includes governance / risk management / control.</li> <li>Internal audit provides overall assurance on governance / risk management / control.</li> <li>Internal audit takes an enterprise-wide view of risk.</li> <li>Internal audit plans are dynamic.</li> </ul>   | <ul style="list-style-type: none"> <li>Basic performance measures include monitoring internal audit engagement cost and project timelines.</li> <li>Both qualitative and quantitative measures used.</li> <li>Internal audit prepares an annual report.</li> </ul> <p>Internal audit achieves full conformance with GIAS</p>   |

|   |   |   |   |   |  |   |
|---|---|---|---|---|--|---|
| <p><b>Implemented/<br/>Integrated</b></p> | <ul style="list-style-type: none"> <li>•Internal audit charter in place / reviewed on a periodic basis / approved by the governing authority / board.</li> <li>•Internal audit reporting arrangements defined in internal audit charter / specifies good practice reporting arrangements.</li> <li>•Practices ensure objectivity of internal auditors conducting internal audit engagement are not impaired.</li> <li>•Audit committee review of internal audit budget / program priorities.</li> </ul> | <ul style="list-style-type: none"> <li>•Internal audit seen as independent, but also an integral part of the management team.</li> <li>•Internal audit coordinates its activities with all lines of assurance including external reviews.</li> <li>•Internal audit provides advice and relies on line 2 activities as appropriate.</li> </ul> | <ul style="list-style-type: none"> <li>•Supervisory review and sign-off of engagement planning occurs.</li> <li>•Effective internal audit reporting arrangements and mechanisms / reporting done consistently from content and format perspective / chief audit executive reviews and signs-off audit reports before issue.</li> <li>•Follow-up protocol established / follow-up of audit recommendation implementation consistently performed / low number of overdue audit actions.</li> <li>•Escalation protocol for unacceptable risks is defined and understood by internal audit management.</li> <li>•Annual risk assessment conducted / ongoing and periodic quality assurance processes in place / quality assurance activities occur for internal audit engagements.</li> </ul> | <ul style="list-style-type: none"> <li>•Most internal audit resources are credentialed / some specialist resources available when required.</li> <li>•Ethics and professional behavior specific to internal audit embedded in policy and practices.</li> <li>•Training programs support execution of internal audit work.</li> <li>•Support for internal audit continuing professional development.</li> </ul>                  | <ul style="list-style-type: none"> <li>•Internal audit strategy aligned to the corporate strategy identifies the projected roles and necessary service to be provided by internal audit.</li> <li>•Internal audit plans linked to corporate objectives / strategic risks and consider governance / risk management / control.</li> <li>•Internal audit charter authorizes internal audit to perform advisory services.</li> <li>•Internal audit provides management requested services.</li> </ul>   | <ul style="list-style-type: none"> <li>•Measurement of internal audit performance against budget.</li> <li>•Internal audit achieves general conformance with GIAS</li> </ul>  |
| <p><b>Defined/<br/>Infrastructure</b></p> | <ul style="list-style-type: none"> <li>•Internal audit charter in place and approved by the governing authority / board.</li> <li>•Internal audit reporting arrangements defined in internal audit charter, but not good practice reporting arrangements.</li> <li>•Annual internal audit funding based on prior-year expenditure.</li> <li>• Full access to organization's information / assets / people.</li> <li>•Engagement-by-engagement internal audit funding.</li> </ul>                        | <ul style="list-style-type: none"> <li>•Internal audit coordinates with Line 2 assurance groups.</li> <li>•Internal audit interacts with external reviews as required.</li> </ul>   | <ul style="list-style-type: none"> <li>•Internal audit manual covers aspects of internal audit service delivery.</li> <li>•Engagement planning documented / consistent methodology applied to internal audit engagements.</li> <li>•Reporting protocol established for communicating results / reporting done inconsistently from content and format perspective.</li> <li>•Follow-up protocol established / follow-up of audit recommendation implementation occurs but not consistently.</li> <li>•No escalation protocol for unacceptable risks.</li> <li>•Annual risk assessment may be conducted. Some ongoing quality assurance processes in place.</li> </ul>  | <ul style="list-style-type: none"> <li>•Some internal audit resources are credentialed / specialist resources may be available.</li> <li>•Organization code of conduct established / ethics and professional behavior specific to internal audit may receive some attention.</li> <li>•Limited support for internal audit continuing professional development.</li> <li>•Some part of staff establishment not filled</li> </ul> | <ul style="list-style-type: none"> <li>•No strategy for internal audit - there may be a forward plan of activities beyond the current year.</li> <li>•Internal Audit plans linked to risk profile / may be tailored to competence of staff. Internal audit focus on risk and controls.</li> <li>•Internal audit provides advice and options as part of internal audit services, including giving recommendations and supporting management with implementing recommendations.</li> <li>•Internal audit may provide advisory services / management requested services.</li> </ul> | <ul style="list-style-type: none"> <li>•Internal audit engagements properly supervised by chief audit executive or delegate.</li> <li>•Planned delivery versus actual delivery reported.</li> <li>•Management accountability for control is clearly defined and enforced.</li> <li>•Internal audit achieves partial conformance with GIAS</li> </ul>        |
| <p><b>Initial</b></p>                     | <ul style="list-style-type: none"> <li>•Internal audit charter not in place or not approved by the governing authority / board.</li> <li>•Internal audit reporting arrangements not defined in internal audit charter or reporting arrangements not in line with good practice.</li> <li>•Limited access to organization's information / assets / people.</li> <li>•Engagement-by-engagement internal audit funding.</li> <li>•Low rank of HIA [below level 3]</li> </ul>                               | <ul style="list-style-type: none"> <li>•Internal audit is-focused on the internal audit function itself without regard to other assurance activities.</li> <li>•Limited or no interaction with external reviews.</li> </ul>   | <ul style="list-style-type: none"> <li>•Ad hoc internal audit processes / no formalized procedures/ planning not documented.</li> <li>•Reporting ad hoc / reporting protocol not established for communicating results.</li> <li>•No follow-up protocol established / follow-up of audit recommendation implementation not performed consistently or not performed.</li> <li>•No escalation protocol for unacceptable risks. No annual risk assessment. Limited or no quality assurance processes in place.</li> </ul>  | <ul style="list-style-type: none"> <li>•Internal audit resources do not have certifications/ no specialist resources.</li> <li>•Organization code of conduct not established, ethics and professional behavior do not receive formal attention.</li> <li>•Internal audit continuing professional development not supported.</li> <li>• Significant part of staff establishment not filled</li> </ul>                            | <ul style="list-style-type: none"> <li>•No forward-looking internal audit planning/ absence of IA strategic plan.</li> <li>•Internal audit planning is reactive or focused on routine compliance.</li> <li>•Internal audit focuses on control compliance.</li> <li>•Internal audit does not provide advisory services / management requested services.</li> </ul>  | <ul style="list-style-type: none"> <li>•No specific internal audit performance measures.</li> <li>•No budget monitoring although service providers may be working on fixed price contracts.</li> <li>•Ad hoc supervision / reliance on internal processes of service providers.</li> <li>•No quality assurance activities defined or implemented</li> </ul> |

## Interpretation of the model

### Usefulness of Maturity Assessments

- A maturity assessment is a helpful tool to review existing internal audit practices.
- It assists chief audit executives to improve the performance (optimise) the internal audit function, to not only meet the 'Global Internal Audit Standards', but add value to their organisation and exceed stakeholder expectations.
- Chief audit executives and audit committees may set a target maturity level for the internal audit function to work towards. This target, or aspirational level, can be reflected in the internal audit strategy.
- A maturity assessment can be performed internally on a periodic basis or as part of an external quality assessment.
- Once maturity is assessed, action plans may be determined by the chief audit executive to reach their target maturity level. This action plan and its progress should be regularly monitored and reported to the audit committee.
- Internal audit functions meeting the maturity level of 'defined' are likely to be achieving 'partial conformance' with the 'Global Internal Audit Standards'.
- While the higher maturity levels such as 'optimising' and 'managed' are best practice, some internal audit functions may not be able to reach these levels due to their size / resourcing constraints / other challenges.

### Structure of the Maturity Assessment

- The maturity assessment has been broken down into 3 categories / 6 review areas.
- These 6 review areas align to those referenced in the IIA's Quality Assurance Manual / Internal Audit Capability Model for the Public Sector / Internal Audit Ambition Model:
  1. **Services and Role of Internal Auditing** – The internal audit mandate and the provision of assurance and advisory services relative to the organisation's needs.
  2. **Professional Practices** – Internal audit methodologies and practices, from internal audit planning to the quality assurance and improvement program.
  3. **Performance Management and Accountability** – Information used to manage the internal audit function and assure its quality and continuous improvement.
  4. **People Management** – Training / developing / assessing competencies of individual internal auditors and the internal audit function.
  5. **Organisational Relationships** – Structures / relationships between internal auditors and key stakeholders.
  6. **Governance Structure** – Policies / processes / resourcing / essential conditions / reporting relationships supporting the internal audit function's independence.

### Performing the Maturity Assessment

- A maturity level is determined by assessing the internal audit function against the requirements listed within the 3 categories / 6 review areas.
- Each maturity level in the model assumes the requirements within the previous (lower) levels have been met.
- Assessment of an individual review area may cross over more than one rating. For example, a rating of Implemented / Managed or Defined / Implemented can be given.
- An overall maturity level can be determined based on the average rating of all 6 review areas.
- It should be noted 'optimised' means as effective as possible, while 'optimising' means continual enhancement is sought and implemented.

### Further Assistance

- This document forms part of the IIA-Australia 'Internal Audit Quality Toolkit'.
- Contact the IIA-Australia if further assistance is required.

### 3. Internal Audit Maturity Analysis Framework

| Key Success Factors         | Position   |   | Process, Technology and Innovation   |   |  |  | People & Resources  |
|-----------------------------|--|---|--|---|--|--|---|
|                             | Services and Role of IA  | Organisational Relationships and Culture                                    | Ethics and Professionalism   | Performance Management & Accountability                           | Governance Structures  | Technology and Innovation  | People and Resource Management  |
| Key GIAS                    | Principle 9  | Principle 6   | Domain II  | Principle 8   | Principle 7  | Standard 10.3  | Principle 10  |
| <b>Level 5 - Optimising</b> | IA plays significant role in driving change and impact which it delivers using flexible assurance and advisory products. | IA advises and influences top-level management/ board.                      | Continuous improvement in professional practices, IIA/ industry alignment, strategic planning, full integrated assurance against risk appetite | Public reporting of IA effectiveness, & industry leader.          | Independence, power, and authority of the IA activity.   | Data analytics enabled. Integrated GRC tools across three lines, with real time monitoring and alerts. | Leadership Involvement with Professional Bodies, workforce projection, capacity optimization role based competency framework, training and CPD support. |
| <b>Level 4 - Managed</b>    | Various service offerings on Governance, Risk Management and Control.  | Effective and ongoing communications & relationships with the board and EC. | Audit Strategy leverage Organisation's priorities & management of risks and integrated assurance against risk appetite.                        | Integration of qualitative and quantitative performance measures. | Independent oversight of the IA activity. CAE reports to top-level authority. Leverage tech, DA, and innovation. | Data analytics managed. Integrated audit workflows and data sharing with other assurance functions.    | IA contribute to management development. IA activity supports Professional Bodies. Workforce planning, competency framework, training, and CPD.         |

|  |   |  |  |   |  |   |   |
|--|---|--|--|---|--|---|---|
| <p><b>Level 3 – Integrated</b></p>     | <p>Overall assurance on Governance, Risk Management and Control.</p>  | <p>Coordination with other review Groups/assurance providers. Integral component of management team.</p> | <p>Quality assurance &amp; improvement framework. Risk-based audit plans.</p>                                  | <p>Performance measures. Cost information. IA management Reports.</p> | <p>Management oversight of the IA activity. Funding mechanisms.</p>  | <p>Data analytics defined. Specialised audit workflow tools used support risk assessments delivery and reporting. Monitoring through unstructured data and reporting.</p> | <p>Team building and competency. Competent staff. Workforce coordination Training and some support for CPD.</p> |
| <p><b>Level 2 - Infrastructure</b></p> | <p>Cyclical/ compliance auditing.</p>   | <p>Managing within the IA activity.</p>  | <p>Professional practices and processes framework. Audit plan based on management/ stakeholder priorities.</p> | <p>IA operating budget. IA business plan.</p>                         | <p>Full access to the organization's information, assets, and people. reporting relationships established.</p> | <p>Data analytics aware. Office technology used to support record keeping, with EUC solutions for universe and reporting. More manual business monitoring.</p>            | <p>Individual professional Development. skilled people identified and recruited.</p>                            |
| <p><b>Level 1 - Initial</b></p>        | <p>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 positions; 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 larger organizational unit; no established capabilities; therefore, no specific key process areas. Data analytics naïve with no data analytics skills.</p> |  |  |   |  |   |   |

The model consists of five distinct levels, each representing a progressively more advanced stage of maturity:

- **Initial:** At this foundational level, the internal audit function is largely ad hoc and unstructured. Few processes are formally defined, and practices are applied inconsistently. The focus is primarily on compliance and basic financial controls, with limited use of data analytics or technology.
- **Defined:** As the function progresses to the Defined level, basic practices and procedures are established and performed on a regular, repeated basis. Audit planning becomes more risk-based, and the team begins to leverage data analytics to enhance testing and insights. Professional practices are defined but may not be fully integrated.
- **Implemented:** At the Implemented level, internal audit policies, procedures, and approaches are formally defined, documented, and integrated with one another. The function consistently adheres to professional standards, such as the GIAS. Technology and data analytics are embedded into the audit lifecycle, enabling more efficient and effective assurance.
- **Managed:** As the function reaches the Managed level, it becomes an integral component of the organisation's governance and risk management framework. Audit plans are dynamic and responsive to changing business needs. Continuous monitoring and data-driven insights enable proactive risk identification. The function is seen as a trusted advisor, delivering value beyond basic assurance.
- **Optimised:** At the pinnacle of maturity, the internal audit function is fully aligned with the organisation's purpose and strategic objectives. It focuses on continuous learning and improvement, leveraging advanced analytics and innovative techniques to deliver predictive insights. The function is adaptive and consistently delivers measurable value to the organisation.

By understanding these maturity levels and objectively assessing its current position, an internal audit function can chart a clear path for enhancing its capabilities, impact, and alignment with organisational goals. Regular maturity assessments, combined with targeted improvement initiatives, can help the function progress along the maturity curve and maximise its value to the organisation.

*Source: Chartered Institute of Internal Auditors*