

Template 50: QAIP Maturity Model

Internal Audit Maturity Rating	Standard 1000 Purpose, Authority and Responsibility	Standards 1100, 1130 Independence and Objectivity	Standard 1200 Proficiency and Due Professional Care	Standard 1300 Quality Assurance and Improvement Program	Standard 2000 Managing the Internal Audit Activity	Standard 2100 Nature of Work
Optimised	Internal Audit Charter in place, reviewed and approved by Audit Committee on annual basis, clearly linked to corporate governance objectives, specifies good practice Internal Audit reporting arrangements	Internal Audit reporting arrangements defined in Internal Audit Charter, specifies good practice reporting arrangements, independence and objectivity requirements defined by Internal Audit policy including requirement for conflict of interest disclosure, annual attestation required by Internal Audit staff	Internal Audit resources are credentialed, specialist resources are available when required, annual Risk Assessment conducted, ongoing and periodic Quality Assurance processes in place, training programs reinforce Internal Audit credentials and support execution of Internal Audit work	Documented ongoing and periodic 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	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives, effective Internal Audit reporting arrangements, audit client feedback sought, performance measures in place and used to drive continuous improvement	Internal Audit focuses on controls, risk and governance, Internal Audit plans are clearly linked to enterprise-wide view of risk and plans are periodically adjusted, Internal Audit uses recognised control frameworks in its work
Managed	Internal Audit Charter in place, reviewed and approved by Audit Committee on annual basis, clearly linked to corporate governance objectives	Internal Audit reporting arrangements defined in Internal Audit Charter, specifies good practice reporting arrangements, independence and objectivity requirements defined by Internal Audit policy including requirement for conflict of interest disclosure	Internal Audit resources are credentialed, some specialist resources are available, annual Risk Assessment conducted, ongoing and periodic Quality Assurance processes in place	Documented ongoing and periodic Quality Assurance Program in place, Quality Assurance activities occur for internal audit engagements, Internal Assessment conducted annually	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives, effective Internal Audit reporting arrangements, audit client feedback sought	Internal Audit focuses on controls, risk and governance, Internal Audit plans are clearly linked to enterprise-wide view of risk and plans are periodically adjusted
Implemented	Internal Audit Charter in place, reviewed and approved by Audit Committee on a periodic basis	Internal Audit reporting arrangements defined in Internal Audit Charter, specifies good practice reporting arrangements	Some Internal Audit resources are credentialed, some specialist resources are available, annual Risk Assessment conducted, ongoing Quality Assurance processes in place	Ongoing and periodic Quality Assurance Program elements in place, Quality Assurance activities occur for internal audit engagements	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives, effective Internal Audit reporting arrangements	Internal Audit focuses on controls, risk and governance
Defined	Internal Audit Charter in place and approved by Audit Committee	Internal Audit reporting arrangements defined in Internal Audit Charter, but not good practice reporting arrangements	Internal Audit resources are partially credentialed, specialist resources may be available, annual Risk Assessment conducted, some ongoing Quality Assurance processes in place	Some ongoing Quality Assurance Program elements in place, some Quality Assurance activities occur for internal audit engagements	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives	Internal Audit focuses on controls and risk
Initial	No Internal Audit Charter or in draft or not approved by Audit Committee	Internal Audit reporting arrangements not defined in Internal Audit Charter or reporting arrangements not in line with good practice	Internal Audit resources not credentialed, no specialist resources, no annual Risk Assessment, limited ongoing Quality Assurance processes in place	No formal Quality Assurance Program in place, some Quality Assurance activities may occur for internal audit engagements	No Internal Audit policies and procedures in place, Internal Audit plans not linked to corporate objectives	Internal Audit focuses on controls

Internal Audit Maturity Rating	Standard 2200 Engagement Planning	Standard 2300 Performing the Engagement	Standard 2400 Communicating Results	Standard 2500 Monitoring Progress	Standard 2600 Communicating the Acceptance of Risks	Code of Ethics
Optimised	Planning performed in collaboration with stakeholders, planning adjusted for differing circumstances, planning documented, consistent methodology applied to internal audit engagements, supervisory review and sign-off occurs	Internal Audit policies and procedures clearly define internal audit engagement process, Audit Work Plans are tailored for each engagement, supervisory review and sign-off occurs, automated audit working paper system in place, CAATs and other audit techniques actively used	Reporting protocol established for communicating results, reporting done consistently from content and format perspective, CAE reviews and signs-off audit reports before issue, management input to reporting is actively sought, reports contain management comments and agreed actions, Internal Audit prepares reports that show systemic issues found through its work	Follow-up protocol established, follow-up on implementation of audit recommendations performed consistently, reporting to Audit Committee on status of audit recommendations, automated system for receiving progress updates from management, high rate of audit recommendation clearance	Escalation protocol defined, process clearly understood by Internal Audit and management, collaborative approach to resolution, clear definition of level of risk that can be assumed by Management that precludes need for escalation protocol	Organisation Code of Conduct established, IIA Code of Ethics is embedded in Internal Audit policies, ethics training is conducted, Internal Audit staff complete annual Code of Ethics declaration
Managed	Planning performed in collaboration with stakeholders, planning documented, consistent methodology applied to internal audit engagements, supervisory review and sign-off occurs	Internal Audit policies and procedures clearly define internal audit engagement process, Audit Work Plans are tailored for each engagement, supervisory review and sign-off occurs, may have automated audit working paper system in place	Reporting protocol established for communicating results, reporting done consistently from content and format perspective, CAE reviews and signs-off audit reports before issue, reports contain management comments and actions to implement recommendations	Follow-up protocol established, follow-up on implementation of audit recommendations performed consistently, reporting to Audit Committee on status of audit recommendations	Escalation protocol defined, process clearly understood by Internal Audit and Management, collaborative approach to resolution	Organisation Code of Conduct established, IIA Code of Ethics is embedded in Internal Audit policies, ethics training is conducted
Implemented	Planning performed and documented, consistent methodology applied to internal audit engagements, supervisory review and sign-off occurs	Internal Audit policies and procedures clearly define internal audit engagement process, Audit Work Plans are tailored for each engagement, supervisory review and sign-off occurs	Reporting protocol established for communicating results, reporting done consistently from content and format perspective, CAE reviews and signs-off audit reports before issue	Follow-up protocol established, follow-up on implementation of audit recommendations performed consistently	Escalation protocol defined, process clearly understood by Internal Audit and Management	Organisation Code of Conduct established, IIA Code of Ethics is embedded in Internal Audit policies
Defined	Planning performed and documented, consistent methodology applied to internal audit engagements	Some elements of Internal audit engagement process defined, standard Audit Work Plans used	Reporting protocol established for communicating results, reporting done inconsistently from content and format perspective	Follow-up protocol established, follow-up on implementation of audit recommendations occurs but not performed consistently	No escalation protocol established, Management may assume inappropriate level of risk	Organisation Code of Conduct established, IIA Code of Ethics receives some attention
Initial	Planning not performed or documented, no consistent methodology applied to internal audit engagements	Internal audit engagement process not clearly defined or Audit Work Plans not prepared for internal audit engagements	Reporting protocol not established for communicating results, reporting is ad hoc	No follow-up protocol established, follow-up on implementation of audit recommendations not performed consistently or not performed	No escalation protocol established	Organisation Code of Conduct not established, IIA Code of Ethics does not receive formal attention

QAIP Maturity Model levels to Quality are;

Level 1: Introductory

Level 2: Emerging

Level 3: Established

Level 4: Progressive

Level 5: Advanced

Level 1 -Introductory Maturity

- (i.) A fairly new Internal Audit Activity or new HIA adopting the IIA *Standards*
- (ii.) The entity lacks understanding of importance of Internal Audit activity
- (iii.) Senior Management/Governing Body don't understand value of QAIP
- (iv.) Internal audit has not established a QAIP
- (v.) Not complying with requirements
- (vi.) Does Not Conform

Steps to Introductory Maturity

- (i.) Adopt the definition of Internal Audit.
- (ii.) Achieve appropriate reporting structure.
- (iii.) Commit to quality through the audit Charter.
- (iv.) Acquire management's buy-in
- (v.) Educate the audit committee.

Level 2 -Emerging Maturity

- (i.) The QAIP must include periodic and ongoing self-assessments.
- (ii.) Compliance monitoring with the *Standards* is in place.
- (iii.) Annual presentation of self-assessment results is complete to senior management and Audit Committee.

Steps to Emerging Maturity

- (i.) Internal audit activity gets involved with The IIA and local chapter.
- (ii.) HIA works toward certification.

- (iii.) HIA attends quality assurance Self-Assessment training and/or seminar
- (iv.) Assign monitoring responsibilities.
- (v.) Use the Self-Assessment Checklist.
- (vi.) Obtain feedback from others.

Level 3 -Established Maturity

- (i.) Annually obtain internal independent validation of internal audit activity ongoing self-assessment.
- (ii.) HIA, Senior Management & Audit Committee support and are involved in Quality Assessment process.
- (iii.) Committed to obtaining an external independent validation every **five** years.

Steps to Established Maturity

- (i.) Internal audit activity staff certifications demonstrate IAA professionalism and competency.
- (ii.) Internal audit uses Balanced Scorecard.
- (iii.) Requires proper qualifications for validation.
- (iv.) Develops plan for improvement and establishes timeline for implementation.
- (v.) Report Quality Assessment validation to The IIA Quality.

Level 4 -Progressive Maturity

- (i.) QAIP is now a well-developed, defined and documented program.
- (ii.) Internal audit activity is well recognized within the entity as value adding.
- (iii.) Internal audit activity has an External Quality Assessment conducted every **five** years.

Steps to Progressive Maturity

- (i.) HIA has CIA certification.
- (ii.) Any gaps have been addressed and action plans are in place.
- (iii.) Follow best & leading practices.
- (iv.) A qualified external Quality Assessment provider is used.
- (v.) Report completion of external Quality Assessment to The IIA.

Level 5 -Advanced Maturity

- (i.) Internal Audit Activity has an active and fully **integrated** Quality Assurance & Improvement Program
- (ii.) External Quality Assessment Reviews are performed every **three** years.
- (iii.) All IAU staff have certification and rigorous continuing profession education.

Steps to Advanced Maturity

- (i.) IAU maintains an appropriate mix of professional qualifications.
- (ii.) IAU is a benchmark for progress to others in and out of their industry.
- (iii.) IAU share tools and success story.
- (iv.) Serve on Quality Assessment review team
- (v.) Mentor, speak, research, and write for the profession of Internal Auditing.