



The Third Line of Defence – Assessing Maturity

| Introduction |

In today's rapidly evolving business environment, the importance of an effective Internal Audit Function cannot be overstated. As organizations strive to navigate the complexities of a changing regulatory environment and manage risks whilst, at the same time streamlining their processes, the maturity of their Internal Audit Function plays a pivotal role in ensuring overall success.

Assessing an Internal Audit Function's maturity is a critical step toward enhancing its effectiveness. In this article, we delve into key questions that organizations should consider when evaluating their Internal Audit Function's

maturity. These questions can serve as a high-level roadmap for organizations seeking to strengthen their internal audit practices and ensure they remain adaptive and well-equipped to face the challenges of today's modern business.

| Key Questions to Consider |

In assessing an Internal Audit Function's maturity, consider the following questions:

Questions	
Purpose	<ul style="list-style-type: none"> • Mission: Has your Internal Audit Function defined its overall mission / purpose within your organization? • Perception: How does your organisation perceive the Internal Audit Function – police and annoyance vs partner and insightful? • Understanding: Does your organisation understand and embrace your Internal Audit Function's mission / purpose? • Strategy: Is there a clear linkage between you Internal Audit Function's mission and the wider organisation's strategic plan?
Structure & Operational Independence	<ul style="list-style-type: none"> • Structure: How is your Internal Audit Function structured and what are the overall reporting lines? Who within your organisation, does the Chief Auditor report into and, do you consider this as appropriate? • Access: Does your Internal Audit Function have direct access to the Audit and Risk Management Committee members and chairperson?

Questions	
	<ul style="list-style-type: none"> • Independence: If asked, could you describe how your Internal Audit Function remains operationally independent and maintains its objectivity?
Skills & Competence	<ul style="list-style-type: none"> • Experience: What experience does your Internal Audit Function's team members have in your organisation's industry? • Qualifications: What formal qualifications do your Internal Audit Function team members hold? • Development: What is the process for talent development within the Internal Audit Function? • Succession: What is the process for succession planning within the Internal Audit Function? • Currency: How does your organisation's Internal Audit Function stay current with industry practice? • Regulation: How does your organisation's Internal Audit Function stay abreast of regulatory changes?
Satisfaction	<ul style="list-style-type: none"> • Engagement: Have you undertaken an employee engagement and satisfaction survey of your Internal Audit Function? • Turnover: What is the staff turnover of your current Internal Audit Function? • Vacancy: Is your Internal Audit Function able to fill vacancies in a reasonable timeline?
Sufficiency	<ul style="list-style-type: none"> • Assessment: How does your executive team assess the sufficiency of Internal Audit resourcing?

Questions	
	<ul style="list-style-type: none"> • Response: How does your executive team respond to ensure that the Internal Audit Function have sufficient resources to deliver the assurance levels required?
Internal Audit Planning	<ul style="list-style-type: none"> • Objectives: To what extent does the internal audit planning process demonstrate a clear link with the organization's strategic objectives and overall risk profile? • Criticality: Are internal audit priorities and focus areas consistently tied to the most critical areas of concern for the business, ensuring that resources are allocated where they are needed most? • Stakeholders: How effectively does the Internal Audit Function engage with key stakeholders, including the executive team, board members, and business unit leaders, during the planning phase? • Dynamic Plan: Does your Internal Audit Function propose changes to the internal audit plan to reflect changes to the business and regulatory environment? • Delivery: Has your Internal Audit Function delivered its audit plan over the last 3 years? Has there been slippage and, if so, what was the root cause?
Internal Audit Fieldwork	<ul style="list-style-type: none"> • Risk Assessment: To what extent does the internal audit fieldwork incorporate a comprehensive risk assessment process that evaluates risks across different business functions and processes?

Questions	
	<ul style="list-style-type: none"> • Dynamic Methodology: Is there a systematic approach to adjusting Internal Audit procedures based on the assessed risks? • Testing: How mature are the testing methodologies employed during fieldwork? Are they designed to provide maximum coverage and assurance, and do they incorporate a mix of substantive and controls testing as appropriate to the audit objectives? • Emerging Technology: Is your Internal Audit Function on top of developments in technology, such as Artificial Intelligence to improve the efficiency? • Data: Does the Internal Audit Function leverage advanced data analytics to enhance the efficiency and effectiveness of fieldwork procedures? Are data analytics and trend analysis used for anomaly detection to uncover potential issues? • Documentation: How rigorously is documentation maintained during fieldwork? Is there a standardized process for capturing audit evidence, findings, and workpapers to ensure consistency and traceability throughout the audit process? • Findings: How well does the Internal Audit Function communicate its findings and observations during fieldwork? Are there meetings conducted to validate factual accuracy? Are there established protocols for promptly escalating critical issues to the executive

Questions	
	team or the board, ensuring that urgent matters receive appropriate attention and action?
Internal Audit Reports	<ul style="list-style-type: none"> • Clarity & Relevance: How effectively does the internal audit reporting process ensure that audit findings and recommendations are clear, concise, and relevant to the audience? • Timeliness: Are Internal Audit reports issued in a timely manner, allowing management to address identified issues promptly? • Executive Summaries: To what extent do Internal Audit reports include executive summaries that provide an overview of findings and recommendations? • Root Cause Analysis: How mature is the Internal Audit function in conducting root cause analyses for identified issues? Does the reporting process go beyond surface-level symptoms to identify underlying systemic problems that require attention? • Quality Assurance: Is there a quality assurance process in place to review and validate the accuracy, completeness, and consistency of Internal Audit reports? • Report Integrity: Does your executive team empower your Internal Audit Function to maintain the integrity of their findings and ratings without pressure from stakeholders?

Questions	
Recommendation & Issue Tracking	<ul style="list-style-type: none"> • Issue Tracking and Monitoring: What is the system for tracking and monitoring the resolution of audit findings and recommendations? • Accountability: Are individuals or departments assigned clear responsibility for addressing and resolving audit issues? Is there a mechanism in place to hold these parties accountable for timely and effective resolution? • Escalation Procedures: Are there well-defined escalation procedures for issues that are not addressed within established timelines or that pose significant risks to the organization? How promptly and effectively are these procedures invoked when necessary? • Validation of Remediation: Does the Internal Audit Function perform validation and testing of remediation efforts to ensure that identified issues have been effectively addressed? • Reporting on Issue Status: How transparent is the reporting on the status of issue resolution? Are regular updates provided to the executive and the board on the progress of remediation efforts, helping them gauge the effectiveness of the internal audit function in driving change?

| Conclusion |

In conclusion, assessing internal audit maturity is a strategic imperative for organizations in today's complex business landscape. This evaluation helps identify strengths, allocate resources efficiently, and aligns audit processes with evolving objectives and regulations. A mature internal audit function provides valuable insights and early risk detection, enhancing decision-making and safeguarding the organization's reputation and stability. A well-resourced and mature Internal Audit Function serves as a vital driver of organizational success.

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