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Internal Audit Excellence Framework: Value-Based Internal Audit

2026

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This IIA-Australia Publication was originally written as the IIA-Australia Factsheet 'Value-Based Internal Audit'. It has been updated and expanded in this standalone format 'Internal Audit Excellence Framework: Value-Based Internal Audit'. A separate IIA-Australia Factsheet provides a brief summary and diagram of the Internal Audit Excellence Framework and its Value-Based Internal Audit philosophy.

This resource was prepared after the 'Global Internal Audit Standards' were published in 2024.

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Forward

From the IIA-Australia CEO

When peers from a profession gather to consider 'excellence' it is worthy to pause and consider. When they bring 500 collective years' experience and more than half are IIA-Australia, Bob McDonald Award Winners (the professional equivalent of the Hall of Fame), it becomes a must read for internal auditors in Australia and, hopefully, beyond.

The pinnacle of the internal audit profession is that it is standards-based. The 'Global Internal Audit Standards' that were issued in 2024 and came into effect in January 2025, set a high bar for quality internal audit performance globally.

This publication 'Internal Audit Excellence Framework: Value-Based internal Audit' takes this strong IIA foundation and postulates a model for excellence – an adaptive model that gives insight into the profession combining important assurance work with delivering insight and foresight for their organisations.

This new approach emphasises partnering with the business and adding value, which strongly resonates with modern internal auditing.

The genesis of this publication was an IIA-Australia Factsheet 'Value-Based Internal Audit'. A short document that set out to demonstrate a methodology where internal auditors could perform high-quality forward-looking internal audit services offering meaningful and impactful foresight, while actively seeking innovation to improve their organisation – all the while doing so objectively.

Equal to the fluidity of current risk dynamics that organisations face, internal audit functions need to be forward-thinking, agile and adaptive to the needs of their organisation. This publication outlines how chief audit executives and their audit committees can consistently seek to raise the performance bar to achieve excellence.

This publication offers a non-prescriptive way to meet the requirements of the Standards, and advance the value you can deliver to your organisation. Please treat is for what it is – a tool that chief audit executives might consider when seeking to improve their collaboration, internal audit methods and service offerings. Whether you implement it as a project or in individual components, we hope that you find the results uplifting.

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Background

Purpose

Internal auditing is:

> *An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.*
> Source: Global Internal Audit Standards 'Glossary'

The purpose of internal auditing is to strengthen the organisation's ability to create, protect and sustain value by providing the board (audit committee[1]) and management with independent, risk-based and objective assurance, advice, insight and foresight.
Source: Global Internal Audit Standards 'Purpose Statement'

Internal audit's evolving role goes beyond identifying what needs to be fixed — it helps shape what comes next. By shifting from a retrospective focus to one of foresight, internal audit positions itself as a catalyst for continuous improvement, ethical stewardship and strategic assurance.

Internal audit enhances the organisation's:

- Successful achievement of its objectives
- Governance, risk management and control processes
- Decision-making and oversight
- Reputation and credibility with its stakeholders
- Ability to serve the public interest

Source: Global Internal Audit Standards 'Purpose of Internal Auditing'

Today's audit committees and executive leaders expect more than retrospective reporting — they welcome forward-looking insights and meaningful contributions from internal audit. This calls for a shift in mindset – from merely identifying problems to actively solving them in partnership with management. Internal audit must evolve into a strategic partner, adding value across the organisation by anticipating risks and shaping better outcomes. While traditionally grounded in hindsight, business imperatives now challenge internal audit to operate with foresight, aligning its work with their organisation's future direction.

Value-Based Internal Audit offers an approach to achieve this:

> *A methodology where internal auditors perform high-quality forward-looking internal audit services offering meaningful and impactful foresight actively seeking innovation to improve an organisation, and doing this objectively from the client perspective.*

1 *The definition of "board" in the Global Internal Audit Standards allows for reporting to an audit committee, which is common in Australia. The key requirement is that the audit committee members are not part of organisational management—they must function as a governance body, not a management one.*

Value Based Internal Audit

What is the Value-Based Internal Audit Proposition?

Value-Based Internal Audit is a methodology where internal auditors deliver high-quality, forward-looking services that provide meaningful and impactful insights. It emphasises innovation, strategic alignment and objectivity — viewed from the client's perspective. This approach integrates assurance, advisory, insight and foresight roles to support better organisation outcomes.

The evolution of internal auditing over the last half-century is illustrated in the diagram below, with further details contained in the IIA-Australia Factsheet 'Internal Audit Evolution'. The services focus is explained in the IIA-Australia White Paper 'Internal Audit Service Catalogue'.

Value is defined as something important and beneficial to the target audience — not limited to financial return, but encompassing anything that contributes to improved performance, decision-making and stakeholder confidence.

Key elements of the Value-Based Internal Audit philosophy are shown in the diagram on the next page and expanded upon in the commentary in this publication.

Value-Based Internal Audit

A methodology where internal auditors perform forward-looking internal audit services offering meaningful and impactful foresight actively seeking innovation to improve an organisation, and doing this objectively from the client perspective

Delivering real value to the organisation

- Regulatory / Policy Environment
- Strategic Business Alignment / Foresight
- Internal Audit Strategy / Scenario Planning
- Stakeholder Partnership
- Key Agent of Change

Establishing solid foundations for effective internal audit operations

- Mandate / Charter / Independence
- Structure / Operating Model
- Methodology
- Performance Reporting

Demonstrating foresight and communicating value

- Integrated Assurance Reporting
- Audit Committee Reporting
- Thematic / Foresight Reporting
- Internal Audit Annual Report
- Management Action Implementation

Leveraging technology for enhanced assurance and advice

- Digital Enablement Plan
- Digital Enablement Capability

Building the next generation team to stay in front

- Internal Audit Employer of Choice
- Capability Development
- People Performance Management
- Culture / Ethics
- Career & Succession Planning

Cultivating excellence and exceptional talent

- Innovation / Proof of Concept
- Artificial Intelligence Empowerment
- Centres of Excellence
- Talent Incubation
- Professional Standards / Quality
- Continual Stakeholder Feedback

Delivering dynamic and agile internal audit

- Dynamic and Continual Risk Assessment
- Integrated Assurance Strategy
- Internal Audit Plan / Value Proposition
- Service Catalogue
- Resource Model
- Service Delivery Imperatives
- Technology Assurance

Internal Audit Leadership
The chief audit executive is responsible for effective internal audit leadership

Governance / Risk / Compliance / Assurance Environment
Environment of an organisation within which internal audit operates

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Why is Value-Based Internal Audit Important?

Internal audit needs to demonstrate its budget is well-spent and its work provides value to its organisation. This means all internal audit activities need to have clear linkage to the organisation strategy, values, objectives and risks. Stakeholders increasingly expect internal audit to go beyond compliance and control testing to:

- Anticipate risks
- Influence change
- Contribute to the organisation's success

There are a range of internal audit function considerations which are shown below. Internal audit needs to have coherent strategy and processes to address these areas. Adoption of an Internal Audit Excellence Framework and its Value-Based Internal Audit philosophy can contribute to controlling the associated risks:

Audit Committee Engagement	Internal audit may not effectively support or engage with the audit committee to meet its expectations
Business Alignment	Internal audit services may not be aligned to the organisation strategy / values / objectives / risks
Capability	Internal audit may not have the right people at the right time providing the right services – successful capability is achieved through a combination of talent attraction / recruitment / retention / professional development / people qualified, certified or trained to effectively perform their work roles / internal audit being an employer of choice
Capacity	Internal audit may not have sufficient resources to deliver on its objectives
Confidentiality	Confidential data may be released accidentally or deliberately
Conflict of Interest	Conflict of interest processes may not be fit-for-purpose or adequately managed, leading to loss of independence and objectivity
Cultural Awareness	Internal auditors may not be equipped to effectively engage across all stakeholder groups or cultural contexts
Data Analytics Insight	Internal audit may not fully leverage data analytics to identify anomalies / trends / emerging risks
Digital Capability	Internal audit resource capability may not be digital ready
Digital Enablement	Internal audit may not react swiftly to digital assurance requirements
Digital Strategy	The organisation environment may not support a contemporary internal audit digital strategy

Direction	The internal audit charter / vision / internal audit strategy / internal audit plan / position descriptions / performance objectives may not collectively provide a clear internal audit direction
Equipped	Internal auditors may not be properly equipped with the tools and technologies needed to complete their work efficiently / effectively / economically / ethically
Fraud Risk	Internal audit may not adequately contribute to the organisation's ability to assess or respond to fraud risk
Health and Safety	Internal auditors may be subject to physical or mental injury because there are inadequate safety management processes including for psychosocial risk
Information and Communications Technology	Information specific technology systems may not be available for a prolonged period that affects internal audit ability to provide ongoing and timely service delivery
Information Security	Confidential and sensitive information collected by internal audit may not be adequately secure from unauthorised access – the risk may be increased in the case of internal audit service providers storing information on their own systems where the client has no control or adequate assurance over those systems
Innovation	Internal audit may not respond to new ideas or changed conditions
Integrated Assurance Across all 3 Lines	The organisation assurance environment may have duplication and gaps which lead to misallocation of assurance resources
Internal Audit Agility	Internal audit may not be sufficiently agile or have the service offerings to quickly respond to organisation needs
Internal Audit Governance	Internal audit may not establish its own robust governance processes
Internal Audit Cyclical Mentality	Internal audit may continue to deliver what they have delivered in the past without considering new ways of working
Internal Audit Quality	Internal audit quality processes may not be sufficiently effective to ensure the quality and credibility of internal audit services
Internal Audit Relevance	Internal audit may be seen as old fashioned and not relevant
Internal Audit Strategy	Internal audit may not adopt an effective strategy to set it up as a key agent of change delivering the right internal audit services that support the strategic objectives and success of their organisation / align with contemporary internal audit practice / meet stakeholder expectations
Lessons Learned	Internal audit lessons from the past may not be captured to improve future outcomes
Problem Finder versus Problem Solver	Internal audit may be seen to bring a negative rather than positive contribution

Performance Management of Co-sourced Specialists	There may be an expectation gap in internal audit service delivery by co-sourced specialists
Productive	Limited internal audit resources may not be used wisely to produce the best outcomes
Professional Mindset	Internal auditors may not deliver meaningful insights and foresight unless they embrace a professional mindset aligned to leading internal audit practice
Project Management	Internal audit projects may not be adequately managed leading to failures / delays / cost overruns / client dissatisfaction
Regulatory	Internal audit may not conform with regulatory requirements
Reputation	The internal audit reputation may be damaged by poor service delivery
Service Provider Conflict of Interest	Conflict of interest processes for internal audit service providers may not be fit-for-purpose or adequately managed, leading to loss of independence and objectivity as a result of non-audit work performed by a service provider
Soft Skills	Internal auditors may not have the soft skills necessary to be successful
Stakeholder Satisfaction	Stakeholders may not value the internal audit contribution
Timeliness	Internal audit efforts may not be impactful if not delivered in a timely manner

Adopting a Value-Based Internal Audit approach helps internal audit functions remain relevant, responsive and resilient in the face of:

- A fluid and complex risk environment
- Rapid technological change
- Resourcing and capability pressures
- Evolving stakeholder expectations
- The need for greater agility and foresight
- Implementation of more robust professional standards

What are Value-Based Internal Audit Benefits?

Adopting this approach delivers benefits across four key dimensions and mitigates key internal audit function risks:

Stakeholder Perspective
> Builds credibility with the audit committee and executive management
> Demonstrates alignment with organisation priorities
> Shifts perception of internal audit from problem finder to problem solver
> Enhances internal audit visibility and contribution to organisation success
> Establishes a firm professional basis founded on being attuned to the business / being balanced in all that is done and reported / being credible in the eyes of the audit committee and stakeholders
> Optimises the internal audit value proposition
> Delivers a better internal audit service with meaningful business-centred insights / foresight / outcomes
> Contributes to a better organisation through the internal audit contribution
> Improves regulatory confidence

Stakeholder Relations
> Improves internal audit and business relationships
> Strengthens collaboration and management trust without sacrificing internal audit independence and integrity
> Improves stakeholder engagement and feedback
> Stakeholder feedback leads to internal audit continual improvement
> Elevates the internal audit reputation

Internal Audit Function Operations
> Supports accountability for the budget and resources allocated to the chief audit executive
> Enables smarter and more agile internal audit service delivery through technology and automation
> Actively uses technology as an internal audit enabler for enhanced foresight and assurance coverage
> Reduces internal audit service delivery time leading to more timely internal audit impact on the business
> Potentially reduces internal audit service cost by reducing reliance on technical specialist service providers
> Provides artefacts to the business after internal audit services are delivered that empower the organisation to better address and monitor risk
> Positions internal audit as 'best in class' recognised by peers and professional bodies

Internal Audit Workplace Culture
> The internal audit function becomes an internal audit employer of choice which has a good reputation that attracts and retains high-calibre talent – an internal audit function where candidates want to work
> Encourages internal auditor professional growth and specialisation
> Builds more engaged and skilled internal auditors
> Becomes recognised as an internal audit centre of excellence

Why Consider Value-Based Internal Audit?

Chief audit executives are subject to a lot of change.

This publication is a tool that forward-thinking chief audit executives might consider when seeking to improve their internal audit efficiency, methods and service offerings.

A number of components should already form part of an internal audit function business-as-usual operating model. Using this publication's maturity assessment model can help to ascertain which components may already be covered or can be enhanced.

Resourcing pressure may mean chief audit executives prefer to implement all or part of the framework. It can be fully implemented as a project or implemented by individual components. The maturity assessment model incorporated into this publication allows chief audit executives to assess their internal audit function and determine where they rate in the internal audit excellence continuum.

An important consideration will be to make sure internal audit has buy-in and support from their audit committee and executive management before embarking on these activities.

Options	Mandated / Optional
> Implement the 'Global Internal Audit Standards' as minimum requirements	Mandated
> Assess current state maturity against the maturity assessment model	Optional
> Develop an improvement roadmap to incrementally move the internal audit function up the maturity continuum	Optional
> Consider whether implementation could use a modular approach where individual components are implemented OR > A full scope implementation project with a short defined timeline OR > A full scope implementation over a longer timeline	Optional
> Consider independent review after implementation – this could be included as part of a 5-year external quality assessment *Note – If a maturity assessment is included as part of an external quality assessment, the independent assessor is required to take it into account when arriving at the overall quality conclusion*	Optional

Value-Based Internal Audit Impact

Applying this framework brings about real impact to the internal audit function and the organisation it serves. Some examples are outlined below:

Value Creation
> Strategic alignment – Internal audit plans linked to organisation priorities > Insightful reporting – Dashboards and thematic analysis to surface systemic issues and track improvements > Proactive advisory services – Input into policy reform / control design / emerging risk response > Benchmarking – Comparing practices across organisations / industry to identify improvement opportunities

Independence Safeguards
> Direct reporting to the audit committee – Ensures functional independence and oversight of internal audit scope and resourcing > Clear advisory boundaries – Distinguishing between assurance services and advisory services to avoid conflicts > Rotation and objectivity – Periodic change of internal auditors / service providers to mitigate familiarity threats > Formal declarations – Independence statements included in all internal audit reporting

Stakeholder Partnership
> Co-designed engagement scopes – Early engagement with management to ensure relevance and buy-in > Interactive briefings – Presenting outcomes in person to foster understanding and ownership > Joint tracking of audit actions – Shared dashboards or registers to monitor progress on audit action implementation > Improvement recognition – Highlighting positive outcomes to reinforce a culture of accountability

Internal Audit Excellence Framework Components

Value-Based Internal Audit
A methodology where internal auditors perform high-quality forward-looking internal audit services offering meaningful and impactful foresight actively seeking innovation to improve an organisation, and doing this objectively from the client perspective

Internal Audit Excellence Framework
The components comprising the Value-Based Internal Audit methodology

Governance / Risk / Compliance / Assurance Environment
Environment of an organisation within which internal audit operates

- The organisation's Governance / Risk / Compliance / Assurance Environment is the focus of internal audit activities:
  - Governance – The combination of processes and structures implemented by the organisation to inform / direct / manage / monitor activities of the organisation toward achievement of objectives.
  - Risk – Internal audit services aligned to the organisation vision / objectives / key risks across all activities whether strategic–operational or financial–non-financial.
  - Compliance – Through a well-formed legal / regulatory / policy compliance framework.
  - Assurance – Built around an integrated assurance strategy to ensure the organisation has the right amount of assurance in the right places delivered by the most appropriate assurance providers.

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Internal Audit Leadership

The chief audit executive is responsible for effective internal audit leadership

- Internal audit is led by the chief audit executive – The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring quality performance of internal audit services in accordance with the 'Global Internal Audit Standards'.
- The chief audit executive needs to be supported by sufficient capable resources to provide a timely and effective internal audit service.

Strategy

Delivering real value to the organisation

Regulatory / Policy Environment

- The regulatory and policy environment will influence what internal audit services are provided to the organisation. In many jurisdictions it will also mandate how internal audit is to be structured and how independence and objectivity will be maintained.
- Internal audit must obey laws / regulations / policy affecting the organisation it serves.
- internal audit must comply with mandated internal audit requirements in its jurisdiction.

Strategic Business Alignment / Foresight

- Everything internal audit does must clearly align to the organisation strategy / values / objectives / risks.
- Strategic business alignment is clearly identifiable in the internal audit strategy and the internal audit plan.
- Internal audit work contains an element of foresight – the ability to predict what will happen or be needed in the future.
- Demonstrates that the internal audit budget is well spent and internal audit provides value to the organisation.

Internal Audit Strategy / Scenario Planning

- The strategy adopted to set up internal audit as a key agent of change supporting the strategic objectives and success of the organisation / delivering internal audit services aligning with contemporary internal audit practice / meeting stakeholder expectations.
- Includes a documented strategic vision aligned to the organisation vision and key risks across all activities whether strategic-operational or financial-non-financial.
- Contains an internal audit improvement roadmap showing what will be done in the coming year to build better internal audit capability to benefit the organisation.
- Needs to align with the organisation strategy – it shows how internal audit services will be maintained and improved year-on-year.
- Scenario planning is conducted on selected strategies to ensure they are not just aspirational – detailed planning should go into readiness for future events and outcomes to adapt and secure success.
- Outcomes are measured / monitored / reported in the Internal Audit Annual Report.

Stakeholder Partnership

- If internal audit fails to plan its stakeholder relationships, it is accepting the risk of failure on its core purpose.
- A stakeholder is a person / group / organisation with a direct or indirect interest or concern in the organisation's activities and outcomes. For internal audit, a stakeholder is any person / group / organisation that can affect, or can be affected by internal audit. Not all stakeholders are equal – some have greater influence than others.
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Strategy *Delivering real value to the organisation*

> Stakeholder relationship management theory argues that, for management to successfully implement its vision and mission, it must have the support of stakeholders who can affect the organisation – this also applies to internal audit.
> Identification of stakeholders and their interests is important in ensuring internal audit success. It helps to ensure internal audit efforts are appropriately aligned with the organisation strategy and objectives.
> Internal audit should have a documented and well thought out stakeholder engagement strategy that seeks to develop a partnership with management to foster collaboration and build a better and stronger organisation.
> Strong stakeholder relationships should recognise internal audit independence safeguards need to be in place if internal audit is to perform its role effectively.
> Focused stakeholder engagement is beneficial to achieving the internal audit vision and mission because it:
  > Keeps internal audit current with the organisation's emerging issues / risks / priorities.
  > Reduces the risk of providing internal audit services where alternate assurance or changes could reduce relevancy of the service.
  > Provides fresh insights and foresight that help improve internal audit planning / prioritising activities / reporting.
  > Educates stakeholders on the role internal audit can and should play in the organisation.
  > Demonstrates how internal audit adds value.
  > Markets the internal audit contribution and services.
  > Ensures there is a well-informed 'champion' for internal audit around the table when internal audit activities are discussed.

Key Agent of Change
> Internal audit should be a key agent of change offering proactive assurance and advisory services and value-adding insights and foresight. It should be forward-looking and actively work to improve the organisation. It should actively seek innovation.
> Audit committees and management expect internal audit to demonstrate business acumen and influence change.
> Internal audit needs to accommodate the needs and expectations of the audit committee and stakeholders by achieving the optimal balance between the different lenses of hindsight / insight / foresight.
> When internal audit services are clearly focused on organisation strategy and objectives, together with a collaborative and improvement focused approach, internal audit can become a key agent influencing change.
> Internal audit can influence change through a blend of:
  > Internal audit strategy aligned to the organisation strategy and objectives.
  > Collaboration with management.
  > Forward-looking internal audit services.
  > An internal auditor mindset of moving from problem finder to problem solver.

Governance

Establishing solid foundations for effective internal audit operations

Mandate / Charter / Independence

- An Internal Audit Mandate is the internal audit function's authority / role / responsibilities granted by the governing authority / laws and regulations.
- An Internal Audit Charter is the formal document that includes the internal audit function mandate / organisational position / reporting relationships / authority / scope of work / types of services / professional standards / other specifications.
- Independence is the freedom from conditions that threaten the ability of internal audit to carry out its responsibilities in an unbiased manner – internal audit is independent when it is independent from management.
- Chief audit executive direct access to the governing authority / audit committee / chief executive officer is essential for internal audit independence.
- Internal audit needs to govern itself in the way it expects the organisation and business areas it audits to govern themselves.
- Pivotal to this will be active compliance with the organisation's code of conduct and ethical requirements, and the principles and expectations governing the behaviour of internal auditors espoused in the 'Global Internal Audit Standards' ethics and professionalism obligations.

Structure / Operating Model

- Internal audit structure is the system outlining how activities such as rules / roles / responsibilities are directed to achieve objectives – it determines how information flows between organisation levels.
- The internal audit structure should align with the organisation business structure.
- The internal audit operating model is the blueprint for how value will be created and delivered to audit clients. The internal audit operating model needs to align with the organisation strategy and objectives, and be designed to deliver an effective independent internal audit service that satisfies stakeholder needs.
- The internal audit structure and operating model establishes solid foundations for effective internal audit operations so the right internal audit services are delivered in a dynamic and agile way at the time they are required.

Methodology

- Internal audit methodology is a system comprising the principles / practices / procedures to be applied to delivery of the various internal audit services.
- The internal audit methodology outlines the approach to internal audit services provided to the organisation so there is a consistent approach and inbuilt quality.
- The internal audit methodology provides guidance to internal auditors and service providers about management and conduct of internal audit planning and services. It covers the approach to be adopted when conducting internal audit planning and services, including administrative arrangements and guidance for the steps to be taken when providing internal audit services.

Performance Reporting

- Good practice is for internal audit to demonstrate its level of performance.
- Performance reporting draws clear links between internal audit key activities and results achieved to provide meaningful information with a clear line of sight between planned and actual performance. The overall process comprises planning / measuring / reporting.
- Performance reporting is built around a set of quantifiable measures internal audit uses to gauge its performance over time. They help determine progress against strategic / financial / operational achievements. They are typically measured by quality / time / cost.
- Performance results should be included in an Internal Audit Annual Report submitted to the audit committee.

People and Culture

Building the next generation team to stay in front

Internal Audit Employer of Choice

- Building a forward-looking internal audit team with value at its core that seeks to stay in front of its peers.
- Internal audit functions are competing for professional internal auditors and technical specialists. They are competing with other organisations / other professions / other parts of their organisation.
- Chief audit executives should strive to build an internal audit environment recognised as a place where internal auditors and technical specialists want to work – an Internal Audit Employer of Choice.
- With competition for internal audit professionals and technical specialists, it makes sense for the chief audit executive to work to attract and retain the professional talent needed. If internal audit is known to be a good place to work – an Internal Audit Employer of Choice – it will become easier to recruit the right people from both inside and outside the organisation. The internal audit reputation will precede it.

Capability Development

- The overall concept is to have the right talent with the right skills at the right time for the best benefit of the organisation – this will include a multi-disciplinary skillset and future-ready skills.
- Capability development needs to accurately reflect current skills and predict future skills required for internal audit to best support the organisation now and into the future.
- The chief audit executive should drive Certified Internal Auditor as the certification of choice for its internal auditors.
- Internal audit can develop a focus on enhancing the professional mindset and problem-solving skills of internal auditors to support cultural improvement.
- Internal capability should enhance diversity of thought and specialisation to meet emerging assurance needs.
- Internal audit capability needs to include digital audit skills and industry-specific competencies.
- Internal audit needs the capability to address a range of pervasive risks such as fraud or misuse of information technology / industry – organisation specific risks / reduction of unnecessary 'red tape'.
- Capability development is used to plan skills / knowledge / behaviours required for internal auditors to fulfil their roles in order to assist the organisation achieve its strategy and objectives.
- Soft skills are important for internal auditors to perform their role effectively.
- Capability development drives employee recruitment / development / performance / retention to ensure internal audit has the talent it needs to best fulfil its role.

People Performance Management

- The overall concept is to develop and deploy human resources for the best benefit of the organisation.
- Communication and feedback between a manager and employee aims to create an environment where people can continually improve – perform to the best of their ability and in alignment with organisation strategy and objectives. Features are planning / developing / monitoring / evaluating / recognition.
- A focus on accountability in the workplace can encourage a healthy / transparent / more enjoyable work environment with stronger communication.
- Performance management is established within a defined system leading to clearer mutual understanding between managers and employees. When expectations are clear, workplace relations can be clearly understood and less stressful.
- The chief audit executive should strive to establish and maintain a consistent vision-aligned and values-based performance management system where individual internal auditor performance objectives are aligned to the strategies and objectives of the organisation and the internal audit function.
- Individual key performance indicators will be consistent with those reported to the audit committee for the internal audit function.

People and Culture

Building the next generation team to stay in front

Culture / Ethics

- Culture is a system of shared assumptions / values / beliefs that reflects the way internal auditors behave.
- Ethics is the standard of moral behaviour and conduct expected of internal audit and its people.
- Successful organisations will usually have a healthy culture and a strong ethical environment.
- Culture is influenced by such things as 'tone at the top'.
- A healthy culture and strong ethical environment enhances stakeholder trust and the internal audit reputation as a credible voice.
- Lapses in ethical behaviour can lead to non-compliance / misconduct / fraud / corruption – ethics and corruption may come across as different things, but they coexist – poor ethics will often result in corrupt behaviour.
- Internal audit functions need to have a strong culture and high ethical standards – it could be argued that because of who they are internal audit needs to govern itself to a higher standard.

Career and Succession Planning

- Career and succession planning is a business strategy to get internal audit people ready for career progression and pass leadership roles to others.
- It seeks to build employee capability and ensure internal audit continues to run smoothly without interruption when people are promoted or move on and their positions need to be filled – it takes account of the work profile to stay ahead of future skills and talent that will be required.
- implementation of a guest auditor program / rotation program can help the organisation equip 'up-and-coming' management with a working knowledge of governance / risk / compliance / assurance fundamentals – these people can become ambassadors for internal audit into the future.
- Career planning is designed to:
  - Enhance organisation and employee capability.
  - Help internal audit achieve its strategy and objectives.
  - Make work more fulfilling for employees.
  - Improve employee retention.
  - Improve client satisfaction through audit clients dealing with more motivated internal auditors.
  - Move managers to become coaches.
- Succession planning is designed to:
  - Set up the required work profile to stay ahead of skills and talent that will be required in the future.
  - Address areas where capacity development could be enhanced or developed.
  - Develop enhanced capability.

Service Delivery

Delivering dynamic and agile internal audit services

Dynamic and Continual Risk Assessment

- Dynamic risk assessment anticipates / detects / acknowledges / responds to changes in the environment / unexpected outcomes / events in an appropriate and timely manner.
- Continual risk assessment is improvement arising from ongoing monitoring of performance and outcomes.
- Internal audit should actively combine the two philosophies of 'dynamic risk management' and 'continual risk management':
  - Dynamic focus is about anticipating risks through a real-time forward-looking lens built on research and business intelligence.
  - Continual focus is about evaluating risks and issues continually, not just at a point in time.
  - Continual risk assessment seeks to provide risk data as close to real-time as possible.
- Internal audit builds its knowledge of governance and assurance over time – this can come from:
  - International developments.
  - Within the wider economy.
  - Within the industry sector.
  - Emerging risks.
  - Digital advances and cyber-specific risks.
  - Professional associations such as the Institute of Internal Auditors.
  - Within the organisation.
  - Internal audit itself.
  - Internal auditor experiences from within the organisation and previous organisations.
  - Insights and foresight from a multi-disciplinary skillset coupled with service providers / technical specialists / experts / guest auditors.
- Active collaboration between internal audit and risk management can help deliver a more effective internal audit service, using organisation risk registers as the start point.
- Co-designed engagement scopes and advisory sprints deliver rapid value when internal audit works with the business to gather business intelligence information to inform what internal audit services are needed and when.
- This knowledge can be harnessed to provide a basis for internal audit services that assist the organisation with current matters and emerging issues that it may be grappling with.

Integrated Assurance Strategy

- Integrated assurance applies a co-ordinated combined approach to assurance, on whether key risks are being managed appropriately within an organisation across all 3 Lines – it is a method to tell the whole assurance story and enable integrated assurance reporting.
- Integrated assurance can help shine light on the 4E's of organisation efficiency / effectiveness / economy / ethics.
- Integrated assurance is a way for internal audit and other assurance providers to work in alignment so the audit committee and executive management are given insights and foresight on governance / risk management / control / assurance arrangements from a comprehensive holistic perspective.
- Integrated assurance informs internal audit plan development.
- Integrated assurance supports organisational objectives by:
  - Eradication of assurance fatigue – resources are no longer wasted on unnecessary duplication and unnecessary 'red tape'.
  - Assurance efforts being directed to the risks that matter most and resources can therefore be released for more productive tasks.

continued on next page

Service Delivery

Delivering dynamic and agile internal audit services

- A common view of risks and issues across the organisation.
- Use of a common language and consistency facilitates value-added discussions.
- Enhanced efficiencies by sharing lessons learned.
- Cost savings through better resource allocation and greater coverage.
- Demonstrated commitment to enhancing controls.
- Ultimately, fewer unpleasant surprises will occur.

- Two integrated assurance approaches are:
  - An assurance map that identifies the holistic risk coverage across the organisation by the range of assurance providers – it helps to identify assurance coverage gaps and duplication and feed into internal audit planning.
  - An assurance strategy to make use of all assurance sources in the monitoring of an organisation – it can allow business unit assurance plans to be developed and their implementation monitored. An assurance strategy delivers better understanding of the overall assurance environment, together with targeted plans to enhance Line 1 and Line 2 assurance without direct internal audit intervention.

Internal Audit Plan / Value Proposition

- Internal auditors strengthen the organisation's ability to create / protect / sustain value by providing the audit committee and management with independent, risk-based and objective assurance / advice / insight / foresight.
- This is achieved through well-founded planning which is generally developed through the core pillars of consultation / analysis / research.
- Internal audit needs to effectively plan its work collaboratively and have the internal audit plan reviewed and approved by the audit committee.
- The internal audit plan contains the services to be provided to the organisation and describes the extent to which the plan effectively covers organisation risks and issues.
- The chief audit executive builds an internal audit plan that cost-effectively supports the achievement of organisation strategy and objectives.
- Internal audit planning should not be a static 'set and forget' activity – it should be regularly reviewed according to the organisation risk environment.
- The internal audit value proposition provides the organisation with innovation / services / features intended to make internal audit respected and attractive to its clients, while improving business outcomes.

Service Catalogue

- A service catalogue is a comprehensive range of services which can be provided by internal audit beyond compliance – it is contained in a defined service catalogue document.
- A range of internal audit services can better serve the organisation, while spreading the internal audit budget and resources further.
- A service catalogue describes the more dynamic and flexible offerings that internal audit can provide to the organisation.
- By continually evolving its service offerings and the way it adds value, internal audit will embed itself within the organisation as a key agent of change / build its profile and reputation / be truly valued by the audit committee and executive management for the insights and foresight it can provide.

Service Delivery

Delivering dynamic and agile internal audit services

Resource Model

- The approach to resourcing the internal audit strategy and internal audit plan is through an internal audit resource model – it includes budget / human resources / technology resources to deliver internal audit services through in-house and co-sourced arrangements to get the balance right between the source of resources and their application.
- This enables the chief audit executive to plan strategically to position internal audit to fulfill its mandate and achieve long-term success.
- Internal audit teams should comprise a blend of multi-disciplinary skills and experience which are fit-for-purpose for the organisation.
- Resourcing options may include guest auditor program / rotation program / service providers / technical specialists / experts.

Service Delivery Imperatives

- Internal audit should be sufficiently flexible so it can quickly respond to what really matters to the organisation – this requires short and sharp internal audit services rather than slow-paced traditional engagements.
- Internal audit flexibility is especially important when an organisation faces a crisis – internal audit should be sufficiently flexible to quickly pivot to provision of services to assist the organisation through the crisis – not continuing on with the internal audit plan formulated before the crisis.
- Internal audit service delivery includes services contained in the approved internal audit plan, together with unscheduled services in response to an emerging issue or risk – it enhances stakeholder satisfaction and demonstrates internal audit strategic responsiveness.
- Individual internal audit services will generally include planning / fieldwork / reporting / quality / monitoring and follow-up.
- To be professional and credible, internal audit service delivery needs to be systematic / disciplined / evidence-based / supported by robust oversight and quality.
- Defensive design should be built into internal audit services by structuring internal audit services to withstand external scrutiny and challenge:
  - Clear scope and terms of reference documented and agreed upfront to prevent scope creep or retrospective reinterpretation.
  - Evidence-based findings that are rigorously documented / triangulated / traceable to source.
  - Good practice standards and benchmarks used as audit criteria to anchor audit outcomes in recognised frameworks.
  - Peer review and quality assurance through internal and external validation to reinforce internal audit credibility.
- Robust internal audit results come from a fit-for-purpose internal audit methodology applied in line with the 'Global Internal Audit Standards'.
- Service delivery will be quality assured according to the internal audit quality assurance and improvement program aligned to the internal audit methodology to assure clear / meaningful / actionable outcomes.
- Stakeholder feedback will be sought to ascertain satisfaction with internal audit service delivery.

Service Delivery

Delivering dynamic and agile internal audit services

Technology Assurance

- Technology assurance helps organisations decide whether technology meets current needs and future requirements in a safe and secure way, and how technology induced change is managed.
- It assesses whether technology systems are fit-for-purpose and aligned with future needs.
- It seeks to assure technology systems are not disrupted and service delivery affected.
- It is important technology assurance covers both information technology (ICT) and operational technology.
- Organisations have many technology assurance layers across the 3 Lines of assurance – internal audit should seek to minimise duplication of assurance effort and leverage the work of other technology assurance providers.
- The risk-based internal audit plan should consider technology risk including cybersecurity / artificial intelligence / business continuity management / emerging technologies / change management.
- Data analytics and continuous control monitoring will be used to test controls and validate that business risks are managed.

Internal Audit Operational Excellence

Cultivating excellence and exceptional talent

Innovation / Proof of Concept

- Innovation is the practical application of new ideas that result in new ways of doing things and new or improved internal audit services – the focus is on newness / improvement / spread of ideas or technologies.
- Innovation should not be purely conceptual, but demonstrate tangible business improvement and benefit.
- Proof of concept is an evidence-based demonstration or pilot project to verify an innovation concept or theory has potential and is feasible for practical application.
- Internal audit can convene an Innovation Forum for like-minded internal audit professionals with a common interest in governance / risk management / control / assurance in specific areas of relevance to their organisation – the idea is to work collaboratively to develop and prove innovative approaches. Professionals from Line 2 assurance functions would often be invited to participate.
- The focus is on practical implementation of new ideas that result in new or enhanced ways of doing things within the organisation and new or improved internal audit services.

Artificial Intelligence Empowerment

- Artificial intelligence is using computer systems to perform tasks that typically require human intelligence such as learning / problem-solving / decision-making. It is a field of computer science that enables computers to analyse data / recognise patterns / adapt to new information through techniques like machine learning.
- Artificial intelligence can be used to streamline internal audit administrative tasks such as testing controls / validating risk management effectiveness.
- Artificial intelligence can be responsibly utilised (with a human in the middle and appropriate controls to protect privacy of information) to create more productive / efficient / fulfilling internal audit work that enables Line 3 assurance to better fulfil its role to the organisation.
- Internal audit can also develop capability to audit artificial intelligence as part of its trusted advisor role, and can advise management on associated risks and benefits.
- Internal audit can therefore be both a consumer and assurance provider in relation to artificial intelligence.

Internal Audit Operational Excellence

Cultivating excellence and exceptional talent

Centres of Excellence

- Centres of Excellence can be an internal audit initiative to develop and promote innovation and competency in governance / risk management / control / assurance in specific disciplines – it comprises leading-edge knowledge and competency from highly-skilled individuals and experts disseminating knowledge and sharing best practices.
- Centres of Excellence can provide a forum for like-minded professionals from internal audit and other business areas with common interests of relevance to the organisation to work collaboratively to develop and prove innovative approaches.
- A Centre of Excellence is designed to:
  - Address areas where capacity could be enhanced or developed – it is intended to address strategic requirements together with internal audit operational requirements.
  - Co-ordinate with stakeholders to ensure a shared understanding and co-ordinated approach.
  - Develop enhanced capability.
  - Drive innovation for new and enhanced ideas and ways of working.
  - Promote automation where cost-effective to do so.
- There may be multiple Centres of Excellence focusing on areas such as digital enablement / technology assurance / artificial intelligence / project assurance / specific industry focus.
- A Centre of Excellence is intended to address areas where capacity could be enhanced or developed – it seeks to address strategic organisation requirements together with internal audit operational requirements.
- Internal audit may propose individual Centres of Excellence. Business areas may also propose for internal audit to host a Centre of Excellence for a specific topic.

Talent Incubation

- Talent incubation is a structured program to develop future-focused skills / knowledge / confidence. It develops / tests / prepares to deploy people approaches unique to internal audit.
- Talent incubation takes internal auditors and nurtures them to grow capability in response to emerging business needs for which internal audit services are required.
- The concept is to grow talent from within. It is used to develop graduate program resources, and is also suitable for developing existing internal auditors for new ways of working.
- Talent incubation is a component of capability development which seek to have the right talent with the right skills at the right time for the best benefit of the organisation.
- Capability development needs to accurately reflect the current skills and predict the future skills required for internal audit to best support its organisation. Talent incubation seeks to assist delivery of necessary capability.
- Knowledge champions to develop capabilities in critical areas of the business or emerging opportunities beyond routine audits can be considered – they can become technical specialists or experts on these areas within the internal audit function.
- In the absence of capability development and talent incubation, internal audit may become under-skilled and unable to provide the internal audit services its organisation needs.

Internal Audit Operational Excellence

Cultivating excellence and exceptional talent

Professional Standards / Quality

- The role of internal audit governance is to be a model for ethical leadership.
- Professional standards provide the principles that represent the practice of internal auditing as it should be. They:
  - Foster improved internal audit process and operations.
  - Provide a framework for performing and promoting a range of value-adding internal audit activities.
  - Establish the basis for evaluation of internal audit performance.
- The International Professional Practices Framework (IPPF) comprises international best practice doctrine that includes the 'Global Internal Audit Standards'.
- Internal audit functions should demonstrate excellence by fully achieving the Global Internal Audit Principles and fully conforming with the 'Global Internal Audit Standards'.
- A fit-for-purpose quality assurance and improvement program should bring together all internal audit quality elements – ongoing internal assessments / periodic internal assessments / external assessments.
- The chief audit executive should deliver to the audit committee an annual quality assertion on conformance with the 'Global Internal Audit Standards'.
- Results of the Quality Assurance and Improvement Program are to be reported to the audit committee and executive management annually.
- Quality assurance maturity including peer benchmarking and external validation delivers strategic and operational benefits that elevate internal audit credibility / performance / influence.
- Responsibility for professional standards conformance and quality assurance should be assigned to a suitably qualified and experienced internal auditor – without a specific quality leader, a Quality Assurance and Improvement Program can often struggle to have impact.

Continual Stakeholder Feedback

- The only way to know whether internal audit is successful is to get stakeholder feedback and act on it. This does not mean giving up internal audit independence – it means acknowledging where internal audit services can be improved and delivering the most effective and valued internal audit service year-on-year.
- Continual stakeholder feedback is important for internal audit to tailor approaches for interaction with its various stakeholders.
- Opinion feedback should be sought from the audit committee / executive management / other stakeholders who receive internal audit services or have an interest in internal audit activities and outcomes.
- Stakeholder feedback needs to be continual rather than at a point in time – it is to be used to help internal audit achieve its vision and mission in a timely way in line with stakeholder expectations.
- Internal audit seeks to incrementally enhance its partnership with stakeholders to collaboratively build a better organisation. In the absence of formal and systematic stakeholder feedback, internal audit would be unable to swiftly adapt its approaches and services to best serve its organisation.
- Performance metrics should reflect stakeholder value such as impact of audit action implementation / alignment to strategic risks.
- Stakeholder feedback results are part of a broader stakeholder engagement framework that should be included in the Internal Audit Annual Report.

Digital Enablement

Leveraging technology for enhanced assurance and advice

Digital Enablement Plan

- Internal audit needs to be continually aware of new technologies and how best to audit them – this might include technologies such as machine learning / artificial intelligence / advanced analytics / robotic process automation.
- A key component of the internal audit strategy is development of a digital enablement plan which:
  - Includes internal audit technology and resourcing priorities to guide internal audit evolution to further support the organisation.
  - Aligns with the internal audit resource model.
  - Ensures digital assurance readiness where the internal audit function has the ability to audit digital transformation / cybersecurity / technology-driven business models.
  - Covers such things as cyber-crime / data mining / data analytics / continuous control monitoring / continuous auditing.
  - Provides enhanced assurance and advice.

Digital Enablement Capability

- Organisations employ increasingly sophisticated technological approaches to business processes – internal audit must have the competence to audit them.
- Capability development drives employee recruitment / development / performance to ensure internal audit has the talent it needs to best fulfil its role.
- The chief audit executive needs to remain alert to:
  - Where new technologies may be used in the organisation.
  - Adoption of relevant organisation policies to provide guardrails for emerging technologies that control their usage but do not unnecessarily inhibit innovation.
  - Building capability to audit new technologies.
  - The potential within internal audit to use new technologies to boost productivity and outcomes, and provide broader coverage / faster insights / reduced cost.

Communicating Results

Demonstrating foresight and communicating value

Integrated Assurance Reporting

- Integrated assurance reporting helps to provide consistent messaging / is more efficient / provides a common view of risks / delivers more effective oversight. It also shows where there may be duplication and gaps in assurance coverage.
- It is a valuable communication method to shape culture / drive action / build trust.
- Messaging should be tailored using different formats for the governing authority / audit committee / executive management / operational teams.
- Escalation of information to governance committees will be more complete / precise / insightful when integrated assurance reporting is used.
- Assurance activities produce valuable, relevant data based on collaboration – integrated assurance reporting facilitates better decision-making.

Communicating Results

Demonstrating foresight and communicating value

Audit Committee Reporting

- A key audit committee role is to provide oversight of internal audit delivery and ensure accountability for use of resources – internal audit reporting to the audit committee directly supports this.
- Internal audit reports on its activities to each audit committee meeting for example:
  - Progress of internal audit plan execution.
  - Summary progress of action implementation arising from internal audit results, especially overdue actions.
  - Trends emerging from the results of internal audit work.
  - Observations relevant to governance / risk management / control / assurance.
  - For the audit committee meeting before the new financial year, the proposed internal audit plan.
  - Insights and foresight.
  - Other activities such as advisory services / investigations.
- Benefits include:
  - Provides a factual basis for determining the internal audit budget.
  - Shows accountability for the budget allocated to the chief audit executive.
  - Reports whether internal audit plan execution is in line with the schedule.
  - Provides a snapshot of audit action implementation, especially overdue and 'at risk' actions.
  - Identifies cross-organisational issues that require attention.
  - Flags emerging issues that might require organisational attention.

Thematic / Foresight Reporting

- Internal audit should use data and results analysis to identify common themes identified from internal audit and other assurance work across the organisation.
- Visual storytelling / dashboards / thematic reporting can be used to tell the story and strengthen stakeholder engagement.
- Thematic insights and foresight bring together results from internal audit and other assurance work across the organisation to aid decision-makers to make informed decisions based on evidence-based data analysis.
- Thematic reporting should act as early warning indicators for the audit committee and executive management, and not just be retrospective observations.
- Thematic insights and foresight should be presented to executive management as they arise when there is potential to improve the governance / risk management / control / assurance environment based on internal audit work across the organisation.
- Collated thematic insights and foresight should be presented to the audit committee annually as part of the Internal Audit Annual Report and more frequently if the chief audit executive or audit committee deems appropriate.
- Internal audit should make thematic insights and foresight results available to executive management to encourage improvement based on evidence, rather than reporting similar outcomes from multiple future audits.

Communicating Results

Demonstrating foresight and communicating value

Internal Audit Annual Report

- An Internal Audit Annual Report is a report produced by internal audit at year-end to showcase the internal audit contribution over the previous year – it provides trends / analysis / commentary on audit themes.
- The Internal Audit Annual Report helps enhance internal audit credibility by drawing the 'whole story' together.
- An Internal Audit Annual Report should be presented to the audit committee annually that contains such things as:
  - Internal audit scorecard.
  - Objectives / Performance measures (KPIs).
  - Achievements for the year.
  - How internal audit added value.
  - A future-looking lens of insights / foresight / early warning.
  - Progress of internal audit strategy implementation.
  - Implementation of actions arising from internal audit results.
  - Thematic insights / Significant and systemic issues and trends.
  - Resourcing summary.
  - Quality assurance and improvement program results.
  - Internal audit maturity assessment.
  - Initiatives going forward.
  - Risks and challenges facing internal audit.
  - Attestation statement for the year.
  - Statement of assurance.
  - Opinion on the state of the control environment.

Management Action Implementation

- Internal audit is required to monitor management implementation of improvement actions included in audit reports, and to report unaddressed risks to the audit committee and executive management.
- Every time an audit is completed there are typically improvement actions to be implemented by management – internal audit monitors and tracks these to make sure they are properly implemented in a timely way.
- Without this internal audit role, the cost and effort involved in audits is potentially wasted if things do not change for the better.
- Internal audit reports on management progress to implement improvement actions at every audit committee meeting – reporting should include analysis that 'tells the story' and not just be an 'information dump' or management excuses for implementation delays.

Implementing Internal Audit Excellence

Implementing the Internal Audit Excellence Framework

When deciding whether to adopt the Internal Audit Excellence Framework and its Value-Based Internal Audit philosophy, the following is a suggested approach.

Implementation Roadmap

The Internal Audit Excellence Framework is ambitious — as it should be, given we're aiming for excellence — but it's also grounded in reality. That grounding comes from recognising that implementation can be modular, or full scope over a short or longer timeline, and this flexibility is explicitly stated. The Framework also draws on better practice management concepts familiar to audit committees and executive management, and applies them to internal audit. The emphasis on partnering with the business and adding value strongly resonates with modern internal auditing.

It is important to remember it is not usually possible to do everything at once when working toward internal audit excellence.

A simple approach to Internal Audit Excellence Framework implementation is recommended, so improvements are aligned to achievable tasks and timeframes. A simple approach may look something like the diagram on the next page.

Implementation Roadmap Example

Note: This Implementation Roadmap is an example and would need to be modified for each internal audit function that assesses itself against the IIA-Australia 'Internal Audit Excellence Framework: Value-Based Internal Audit'

Increasing Conformance / Maturity / Insights / Foresight / Value

Activties to Undertake

Process Enhancements

- Preliminary benchmarking against IIA-Australia Internal Audit Excellence Model
- Prepare Internal Audit Strategy
- Update Audit Committee Charter
- Update Internal Audit Charter
- Update Internal Audit Manual
- Enhance routine internal audit processes in line with benchmarking results
- Enhance internal audit quality processes
- Enhance Internal Audit Annual Report prepared at year-end

Strategy Implementation

- Implement Internal Audit Strategy which articulates strategic priorities to guide internal audit evolution to further support the organisation
- Implement Internal Audit Stakeholder Partnership Plan (may be part of Internal Audit Strategy)
- Implement Internal Audit Employer of Choice Strategy (may be part of Internal Audit Strategy)
- Implement high-level organisation-wide assurance map / assurance strategy
- Implement Internal Audit Digital Enablement Strategy (may be part of Internal Audit Strategy)
- Implement Internal Audit Artificial Intelligence Strategy (may be part of Internal Audit Strategy)

Strategy Finalisation

- Complete Internal Audit Strategy implementation
- Final benchmarking against IIA-Australia Internal Audit Excellence Model
- Report Internal Audit Strategy implementation progress

Review and Enhance

- Prepare next Internal Audit Strategy

Estimated Timing	Quick Wins – by end-<year>	Medium Term – by end-<year>	Longer Term – by end-<year>	End-<year>

Conclusion

Summary

Many internal audit functions continue to operate with a static, one-size-fits-all approach — focused on retrospective reporting and limited in scope. This constrains their ability to demonstrate value or adapt to evolving organisation needs.

Some internal audit functions are content to meander along, delivering the same type of internal audit service and one-dimensional planning and delivery approach of 'one-size-fits-all' internal audit engagements.

Other internal audit functions cannot bring themselves to provide balanced reporting of satisfactory performance in addition to what needs remediating.

Today's audit committees and executive leaders expect more. They seek a strategic partnership with internal audit — one that delivers insight, foresight and practical solutions. Meeting this expectation requires a shift in mindset - from being a problem finder to becoming a problem solver. Value-Based Internal Audit supports this transformation by embedding innovation, relevance and impact into every internal audit service. Internal audit needs to be adding value with everything it does.

Conclusion

Value-Based Internal Audit is designed to achieve internal audit excellence. It provides a scalable, future-focused methodology for achieving internal audit excellence — applicable to small, medium and large internal audit functions alike.

By delivering high-quality, forward-looking services grounded in objectivity, innovation and strategic alignment, internal audit can meaningfully enhance:

- Organisation performance and achievement of objectives
- A values-driven culture of accountability
- Governance, risk management, compliance and control maturity
- Evidence-based decision-making and oversight
- Stakeholder trust and organisational credibility
- Public value and service delivery outcomes

The journey to excellence begins with a commitment to evolve — from assurance provider to strategic partner.

Elevating Impact

The Institute of Internal Auditors Australia

The 20 Critical Questions Series
What Directors should ask about Internal Audit Excellence

2026

This resource reflects the 'Global Internal Audit Standards' published in 2024

This publication should be read in conjunction with the IIA-Australia resources:

- Publication 'Internal Audit Excellence Framework: Value-Based Internal Audit'
- The 20 Critical Questions Series 'What Directors Should Ask About Internal Audit'
- The 20 Critical Questions Series 'What Directors Should Ask About Internal Audit Services'

Internal Auditing – An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Value-Based Internal Auditing – A methodology where internal auditors perform forward-looking internal audit services offering meaningful and impactful foresight actively seeking innovation to improve an organisation, and doing this objectively from the client perspective.

Centre of Excellence – an initiative to:

- Address areas where capacity could be enhanced or developed – it is intended to address strategic requirements together with operational requirements.
- Co-ordinate with stakeholders to ensure a shared understanding and co-ordinated approach.
- Develop enhanced capability.
- Drive innovation for new and enhanced ideas and ways of working.
- Promote automation where cost-effective to do so

Internal Audit Leadership

1. Is the chief audit executive visible to the organisation? Is the chief audit executive effectively leading internal audit? Is the chief audit executive supported by sufficient capable resources to provide a timely and effective internal audit service? Is the internal audit service valued by stakeholders?

Strategy

2. Does internal audit have an active role making sure the organisation regulatory and policy environment is stable and compliant? Does internal audit deliver real value to the organisation? Can internal audit show its value through robust performance measures?
3. Does everything internal audit does clearly align to the organisation purpose / strategy / values / objectives? Are internal audit services strategically aligned to the business? Is there a fit-for-purpose internal audit strategy? Does it include scenario planning? Is there a fit-for-purpose stakeholder relationship strategy?
4. Is internal audit viewed by the audit committee and executive management as a key agent of change?

Governance

5. Does internal audit have an unfettered mandate? Is it empowered by an effective internal audit charter? Is internal audit truly independent of management?
6. Is the internal audit structure and operating model fit-for-purpose? Is it aligned to the business? Does the internal audit methodology comprise a system of the principles / practices / procedures to be applied to delivery of the various internal audit services? Does internal audit have robust performance reporting?

People and Culture

7. Can internal audit be described as an internal audit employer of choice where people want to work? How does internal audit prove it is an internal audit employer of choice?
8. Is there an internal audit capability development program? Is the program effective? Does internal audit have a robust people performance management program? Is there a strong ethical culture within internal audit? How is this demonstrated? Does internal audit have a documented and active career and succession plan?

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What Directors should ask about Internal Audit Excellence

Service Delivery

9. Are internal audit operations built around a dynamic and continual risk assessment approach? Does the organisation have an integrated assurance approach? Does internal audit leverage the integrated assurance approach?
10. Is the internal audit plan risk-based / strategically aligned / dynamic / continually reviewed and updated? Is there an internal audit value proposition that provides the organisation with innovation / services / features intended to make internal audit more useful to the organisation / respected / attractive to its clients?
11. Does internal audit have a catalogue of services it can provide to the organisation? Does internal audit have a resource model showing the competencies it needs? Does internal audit have access to these competencies? Does internal audit use resource accounting to demonstrate cost versus value delivered?
12. Are internal audit services delivered flexibly so there can be quick response to what really matters to the organisation? Are internal audit services delivered in a short and sharp way rather than slow-paced engagements with extended timeframes?
13. Does internal audit actively deliver technology assurance? Do internal audit technology assurance services help the organisation decide whether technology meets current needs and future requirements in a safe and secure way? Does internal audit review how technology induced change is managed? Do technology assurance services cover both information technology (ICT) and operational technology? Does the risk-based internal audit plan consider technology risk including cybersecurity / business continuity management / artificial intelligence / emerging technologies / change management?

Internal Audit Operational Excellence

14. Does internal audit innovate through practical application of new ideas that result in new ways of doing things and new or improved internal audit services? Is there focus on improvement / spread of ideas or technologies? Is there proof of concept through evidence-based demonstration or pilot project to verify an innovation concept or theory has potential and is feasible for practical application? Is internal audit part of an innovation forum for like-minded internal audit and assurance professionals with a common interest in governance / risk management / control / assurance in specific areas of relevance to their organisation?
15. Is internal audit demonstrating understanding and appropriate use of artificial intelligence?
16. Has internal audit developed centres of excellence to develop and promote competency in governance / risk management / control / assurance in specific disciplines? Do they comprise leading-edge knowledge and competency from highly-skilled individuals and experts disseminating knowledge and sharing best practices?
17. Is there a structured talent incubation program to develop future-focused skills / knowledge / confidence / future leaders? Does it develop / test / prepare to deploy people approaches unique to internal audit? Does it take internal auditors and nurture them to grow capability in response to emerging business needs for which internal audit services are required? Does the concept grow talent from within?
18. Does internal audit fully conform with the 'Global Internal Audit Standards'? Is there a robust and compliant quality assurance and improvement program? Is an external quality assessment conducted at least every five years? Are identified improvements implemented in a timely way?

Digital Enablement

19. Is there a digital enablement plan to leverage technology for enhanced assurance? Does this include development of digital capability?

Communicating Results

20. Does internal audit have a fit-for-purpose range of reporting? Does reporting include:
    - Integrated assurance reporting?
    - Audit committee reporting?
    - Thematic / foresight reporting?
    - Internal audit annual report?
    - Management action implementation?

The Big Question

Does internal audit perform forward-looking internal audit services offering meaningful and impactful foresight actively seeking innovation to improve an organisation, and doing this objectively from the client perspective?

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Case Study

Internal Audit Excellence Framework: Value-Based Internal Audit Case Study

For chief audit executives seeking to elevate their function, the IIA-Australia White Paper 'Internal Audit Strategy – A Case Study' offers practical insights into how one internal audit team in the technology sector successfully implemented the Internal Audit Excellence Framework approach.

The following Case Study is an extract from the IIA-Australia White Paper 'Internal Audit Strategy – A Case Study'.

Case Study – Internal Audit Excellence Framework: Value-Based Internal Audit - Elm Company

Introduction

The purpose of this Case Study is to show, through a practical example of where a company has actually done it, how an internal audit function can continually move forward as the organisation changes and can successfully adapt internal audit services to help build a better organisation. This Case Study describes the methodology applied to develop an Internal Audit Strategy for Internal Audit Division at Elm Company. It has practical application to all internal audit functions who seek to stay in front with best practice solutions specifically designed for their organisation into the future.

Elm Company

Elm is a pioneering company in big data, integrated digital solutions and digital transformation. In 1986, Elm was established as a research company investing in localising technology, setting the scene for its introduction to the e-security sector in 2002. Elm transformed into a joint stock company owned by the Saudi Public Investment Fund in 2007, preparing the ground for its strategy to expand outside technology in 2009, and to finally expand globally in 2016. In 2018 Elm set off to move from automation to digitisation through a strategy based on innovation as a main pillar, to be the first digital platform to deliver an integrated client experience. 2022 marked a significant milestone in the history of Elm – a year in which the company transitioned to a public-listed entity on the Saudi Stock Exchange. By the end of 2023, Elm set a new strategy with high expectations and a bold ambition to be the digital enabler for the government and business sectors.

Elm has 2,000 employees who are an indispensable asset to the company's success and global reach. The company vision is to become the first destination among digital platforms that deliver comprehensive and satisfying customer experiences. The business model is based upon values of success – trust / customer satisfaction / creativity / flexibility / reliability.

The Challenge

The Elm Internal Audit Division comprised 30 staff supplemented by service providers selected on a 'best fit' basis for specialist engagements. The Internal Audit Division structure was traditional.
A recent external quality assessment confirmed Internal Audit Division was built on sound foundations and operating professionally, and there was conformance to the 'International Professional Practices Framework'. The question then was – What should internal audit do next?

Case Study cont...

Elm Company was entering into a new strategy with many associated risks. To ensure the strategic initiatives translated effectively into operational delivery, a deliberate effort was made to align the Internal Audit Strategy with the Internal Audit Plan. Each strategic initiative was mapped to specific audit activities or improvement programs, tracked through quarterly monitoring, and discussed during internal audit leadership reviews. It would be important for Internal Audit Division to provide appropriate services to match the fast-moving company change agenda.

The project scope and deliverables were:

1. Internal Audit Strategy – a comprehensive strategy to guide Internal Audit Division evolution.
2. Internal Audit Excellence Framework – a comprehensive framework for Internal Audit Division operations, including a Factsheet for each component.
3. Implementation Roadmap – a high-level roadmap showing implementation phases and indicative timings.

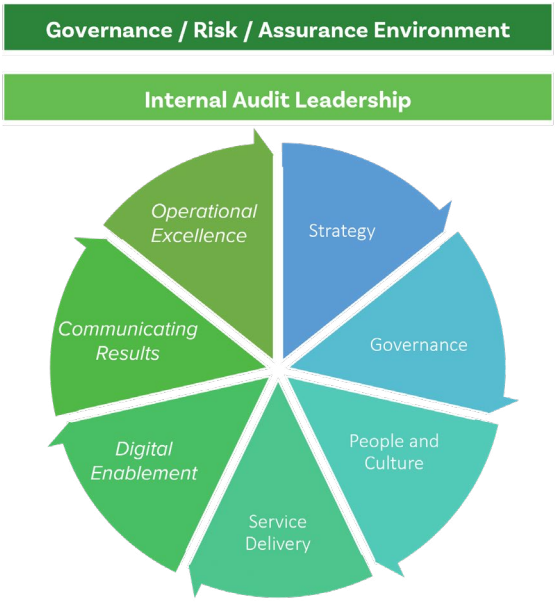
This Case Study concentrates on deliverable 2 – the Internal Audit Excellence Framework: Value-Based Internal Audit methodology and its application at Elm. More details of the Elm journey are contained in the IIA-Australia White Paper 'Internal Audit Strategy – A Case Study'.

Internal Audit Excellence Framework

An Internal Audit Excellence Framework was developed building on a methodology contained in the IIA-Australia Factsheet 'Value-Based Internal Audit', but specifically tailored for Elm. The philosophy was to build the Internal Audit Strategy around an Internal Audit Excellence Framework which represented the range of foundational internal audit pillars that collectively provide the holistic internal audit service:

1. Strategy
2. Governance
3. People and Culture
4. Service Delivery
5. Digital Enablement
6. Communicating Results
7. Operational Excellence

Within the 7 pillars, there are collectively 30 components in the Internal Audit Excellence Framework model at Elm.



Value-Based Internal Audit

For each component, an inhouse 1-2-page Factsheet was developed to explain for each component the definition, purpose and key points. A diagram of the Internal Audit Excellence Framework on the internal audit Intranet contains hyper-links to the 30 component Factsheets. Factsheets included hyper-links to Complementary Guidelines / Procedures. For example, the Factsheet 'Internal Audit Methodology' has hyper-links in the Complementary Guidelines / Procedures for:

- Audit management system user guide
- Sampling and testing procedures

This approach makes for easy referencing, negates the need for a lengthy internal audit manual, and meets the requirements of Global Internal Audit Standard 9.3 'Methodology'

Case Study cont...

Capability Maturity Assessment

A capability maturity assessment process was developed around the 7 pillars and 30 components of the Internal Audit Excellence Framework. The maturity assessment based on an IIA-Australia model comprised ratings of:

- Optimising
- Managed
- Implemented
- Defined
- Initial

The idea was to:

- Ascertain where Internal Audit Division rated for 'Current State'.
- Determine what action plans would be needed to improve the 'Current State' ratings that were not at 'Optimising' to reach 'Future State'.
- The table provided an 'Interim State Maturity Rating' where action plan activities may take some time to complete.
- The ultimate aim was to implement action plans designed to reach 'Future State' to support improved conformance, a target maturity rating of 'Optimising', and ultimately further internal audit value-add.
- In addition to maturity ratings, Internal Audit Division embedded a quarterly strategy execution checkpoint. This checkpoint evaluates progress of initiatives, team alignment and delivery impact. Over time, this rhythm has helped embed strategy into daily routines and move from isolated initiatives to sustained practices.

Measuring Success

It was reasoned that internal audit performance measures should not just be historical and that some should be forward-looking.

A mix of forward-looking performance measures (KPIs) were designed:

- Internal audit strategy implementation
- Talent development
- Digital enablement

Real-time internal audit business-as-usual performance measures including:

- Internal audit plan completion
- Stakeholder engagement
- Audit automation
- Quality
- Management action implementation

Internal Audit Structure

An important part of Internal Audit Strategy implementation was to critically examine the Internal Audit Division structure to ascertain whether it remained fit-for-purpose. As with many internal audit functions, it was designed around a traditional approach:

- Business audit
- IT audit
- Continuous audit
- Quality assurance

Case Study cont...

To best connect with the way the company is now structured, the Internal Audit Division structure was reviewed to better reflect the Elm structure / fit corporate needs / consider forward-looking internal audit services:

- Products and Services – Forward-looking audit to better serve the fast-paced and agile nature of the company
- Business-As-Usual – Corporate audit / Continuous audit
- Cybersecurity – covering both 'Products and Services' and 'Business-As-Usual'
- Internal Audit Operational Excellence Centre – containing the internal audit 'corporate services'

Implementation Roadmap

A key part of the Internal Audit Strategy is a roadmap to guide implementation of activities and indicative timings – a way to get to the objective to be achieved. This is regularly examined to assess progress and any barriers to successful implementation.

One key challenge was ensuring consistent adoption of the strategy across diverse internal audit teams.

To address this, several internal audit processes were redesigned to embed strategic objectives within recurring audit workflows, minimising dependency on one-off initiatives, and encouraging collective ownership.

Internal Audit Strategy progress is regularly reported to the Audit Committee.

Benefits and Outcomes

Benefits and outcomes have been:

Benefits and Outcomes	Performance Criteria
Help Build a Better Elm	> Internal audit annual report demonstrates the internal audit value proposition and how Internal Audit Division helps to build a better Elm > Stakeholder feedback overall rated good or better for Internal Audit Division services > Agile approaches implemented to reduce internal audit service delivery time and impact on the business > Technology deployed to automate manual auditing techniques for superior results benefiting the Internal Audit Division and Elm > Internal audit digital strategy implemented and constantly evolving to leverage technology for enhanced assurance > Internal Audit Division has a good reputation and candidates want to work there > Professional bodies recognise Elm Internal Audit Division as 'best in class' through invitations to share experiences / technical publications / awards
Achieve Engaged Stakeholders	
Innovate and Work Smarter	
Enable Technology	
Be an Internal Audit Employer of Choice	
Celebrate Success	

Challenges and Lessons Learned

What we learned from this process:

- Embedding Change – Moving from a traditional internal audit model to a value-based framework requires careful change management and internal communication.
- Sustaining Momentum – It is critical to shift from project-based transformation to integrated routines to ensure strategy sustains beyond initial launch.
- Cross-Team Alignment – Building alignment across business, technology and internal audit requires regular engagement, targeted communications, and reengineering of some internal processes.

These lessons now inform how Internal Audit Division approaches future strategic initiatives and operational integration.

Conclusion

The Elm Internal Audit Strategy development process made us critically examine a number of factors:

- Existing internal audit services
- Internal audit services the company would need into the future
- What would be needed to deliver the next generation internal audit services

It was an evolutionary process that unexpectedly led us to step from a traditional internal audit structural approach to a structure wholly aligned to the business. It's not something many internal audit functions have actually done.

Internal audit must be prepared to get out of its comfort zone if it is to provide the best internal audit service to its organisation – that is what is seeking to be achieved at Elm through its Internal Audit Strategy and Internal Audit Excellence Framework.

Acknowledgement

The IIA-Australia acknowledges the pioneering work of Elm Company Chief Audit Executive Abdulaziz Al Hidery CIA and Director of Continuous Audit and Quality Assurance Saifeldin Ali CIA to develop their innovative Internal Audit Strategy in 2024.

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Andrew is an audit committee chair and independent consultant specialising in internal audit, risk management, governance, business continuity and project assurance. He held a number of chief audit executive roles at significant organisations over his career. He was the IIA-Australia consulting services manager for many years where he performed more than 350 external quality assessments of internal audit functions in Australia, the Middle East and Asia.

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Bruce's many years of diverse experience spans financial services, manufacturing, transport, energy, health and public administration in executive and board roles. Bruce held transformational chief audit executive leadership roles at State Rail, Integral Energy and the Australian Taxation Office, gaining international and national experience. He now chairs or sits on numerous audit committees, including several focused on integrity agencies. Bruce has authored several governance, risk and audit books including 'Powering Audit Committee Outcomes' and 'Rising from the Mailroom to the Boardroom', and authored local history books in the 'Banks of the Nepean' trilogy in recent years. In 2015 he was appointed a Member of the Order of Australia (AM). Bruce is a recipient of the IIA-Australia Bob McDonald Excellence Award which is the highest award that can be achieved by an internal auditor in Australia, and the prestigious IIA-Global Internal Audit Legacy Award.

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Freddy Beck is a career internal auditor and accountant for more than 35 years, chief audit executive for more than 25 years, and been involved in establishing and managing a number of internal audit functions in South Africa and Australia. In 2024 he was awarded the Bob MacDonald Excellence Award for outstanding service to the internal audit profession and also received a commendation letter in 2018 from the Crime and Corruption Commission Queensland for contributions in helping combatting corporate crime. Freddy is accredited in Internal Quality Assessment Validation through the Institute of Internal Auditors and has conducted a number of external quality assessments of internal audit functions. He has presented at local, national and international conferences. Freddy wrote the IIA-Australia White Paper 'Integrated Risk-Based Internal Auditing'.

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About the Institute of Internal Auditors-Australia

About the Institute of Internal Auditors-Australia

The Institute of Internal Auditors (IIA) is the global professional association for Internal Auditors, with global headquarters in the USA and affiliated Institutes and Chapters throughout the world including Australia. As the chief advocate of the Internal Audit profession, the IIA serves as the profession's international standard setter, sole provider of globally accepted internal auditing certifications, and principal researcher and educator.

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Maturity Assessment Model

Internal Audit Excellence Framework Maturity Assessment Model

To see where your internal audit function sits when it comes to the Internal Audit Excellence Framework, the following maturity assessment model provides a quick and easy assessment method.

Internal Audit Excellence Framework: Maturity Assessment Model

Maturity Assessment Rating Definitions		
Optimising	Internal audit is: › Mature › Innovative › Embedded processes › Using a clear / consistently applied / well-defined methodology › Leveraging technology optimally › Working effectively › Range of internal audit service types	› Fully conforming with the 'Global Internal Audit Standards' and quality requirements › Highly valued by stakeholders › Improvement opportunities leading edge and emerging internal audit practice › An exemplar internal audit function that is best in class
Managed	Internal audit is: › Maturing › Mostly embedded processes › Selective using technology › A few internal audit service types	› Generally working effectively › Fully conforming with some of the Global Internal Audit Principles and most of the 'Global Internal Audit Standards' and quality requirements › Good stakeholder feedback › A few improvement opportunities
Implemented	Internal audit is: › Building maturity › Partially embedded processes › Limited or no use of technology	› Basic internal audit services › Generally conforming with the 'Global Internal Audit Standards' and quality requirements › Room to improve internal audit standards and quality conformance › Variable stakeholder feedback but generally supportive › Some improvement opportunities
Defined	Internal audit is: › Low in maturity › Basic processes › No use of technology	› Limited internal audit services › Significant opportunity to improve conformance with the 'Global Internal Audit Standards' and quality requirements › Stakeholder feedback indicates some value from internal audit services › Many improvement opportunities
Initial	Internal audit is: › Immature › Narrow in its focus › Limited or no processes › No use of technology	› Low quality internal audit services › Extensive opportunity to improve conformance with the 'Global Internal Audit Standards' and quality requirements › Stakeholder feedback indicates limited value from internal audit services › Significant improvement opportunities

It should be noted 'optimised' means effective as possible while 'optimising' means continual enhancement is sought and implemented

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Internal Audit Excellence Framework: Maturity Assessment Model

Rating	Summary						
	Strategy	Governance	People and Culture	Service Delivery	Operational Excellence	Digital Enablement	Communicating Results
Optimising	Future State	Future State	Future State	Future State	Future State	Future State	Future State
Managed			Current State				
		Current State		Current State			
Implemented	Current State					Current State	
Defined					Current State		Current State
Initial							

It should be noted 'optimised' means effective as possible while 'optimising' means continual enhancement is sought and implemented

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Internal Audit Excellence Framework: Maturity Assessment Model

1. Strategy *Delivering real value to the organisation*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Regulatory / Policy Environment	› Internal audit services not aligned to regulatory / policy environment › Internal audit structure has significant deficiencies › Internal audit independence and objectivity not maintained › Internal audit may not obey laws / regulations / policy affecting the organisation it serves › Internal audit does not comply with mandated internal audit requirements in its jurisdiction	› Internal audit services partially aligned to regulatory / policy environment › Internal audit structure has some deficiencies › Independence and objectivity partially maintained › Internal audit partially obeys laws / regulations / policy affecting the organisation it serves › Internal audit partially complies with mandated internal audit requirements in its jurisdiction	› Internal audit services generally aligned to regulatory and policy environment › Internal audit has good practice structure › Independence and objectivity generally maintained › Internal audit obeys laws / regulations / policy affecting the organisation it serves › internal audit fully complies with mandated internal audit requirements in its jurisdiction	› Internal audit services fully aligned to regulatory and policy environment › Internal audit has robust structure › Independence and objectivity maintained › Internal audit examines requirements and recommendations from other sectors / jurisdictions for applicability to their organisation	› Internal audit independence and objectivity is fully maintained › Internal audit actively seeks advanced concepts to support regulatory activities of their organisation › Internal audit services fully aligned to regulatory and policy environment › Internal audit has optimum structure built around organisation business structure
Strategic Business Alignment / Foresight	› Ad hoc internal audit services with no alignment or mapping to business strategy and objectives	› Internal audit services focused on limited scope business-as-usual activities without aligning or mapping to business strategy and objectives	› Internal audit services focused on audit universe of business-as-usual activities without specific alignment or mapping to business strategy and objectives	› Internal audit services built from audit universe and assurance map of primarily business-as-usual activities with alignment to business strategy and objectives	› Internal audit services effectively aligned and mapped to business strategy and objectives › Alignment with forward-looking strategic initiatives while maintaining adequate business-as-usual focus

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Internal Audit Excellence Framework: Maturity Assessment Model

1. Strategy *Delivering real value to the organisation*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Internal Audit Strategy / Scenario Planning	› Internal audit strategy not defined	› Internal audit strategy informally defined	› Internal audit strategy defined and implementation in progress › Internal audit strategy aligned to business strategy and objectives	› Internal audit strategy implementation well-progressed › Regular reporting of progress to audit committee	› Comprehensive internal audit strategy effectively implemented and driving improvement › Scenario planning conducted on selected strategies to ensure they are achievable and not just aspirational
Stakeholder Partnership	› Little attention given to stakeholder relations	› Basic stakeholder management process › Little attempt to develop stakeholder relations	› Stakeholders identified › Regular communication but no formal approach to stakeholder relations	› Stakeholders identified › Regular communication › Stakeholder relations approach in place › Stakeholder feedback sought / acted upon / reported	› Stakeholder relationship model effectively implemented › Structured approach adopted to continually build internal audit partnership with stakeholders › Active awareness building and marketing of internal audit service offerings › Participation in audit committee and executive management inductions
Key Agent of Change	› Not a consideration	› Not actively considered	› Some change influenced through internal audit services but basic in nature	› Consideration of internal audit role as an agent of change, with some success stories	› Internal audit services helping transform business operations / activities / culture through strategic and people-centric innovation / improvement / focused development

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Internal Audit Excellence Framework: Maturity Assessment Model

2. Governance *Establishing solid foundations for effective internal audit operations*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Mandate / Charter / Independence	› No internal audit charter in place › Reporting arrangements not structured for internal audit to operate independent of management › No safeguards in place where chief audit executive may have non-audit responsibilities	› Basic internal audit charter drafted › Reporting line established to a senior executive but not structured for internal audit to operate independent of management	› Internal audit charter implemented that may not be comprehensive › Internal audit independent by reporting functionally to the audit committee and administratively to a senior executive with appropriate independence safeguards in place	› Comprehensive internal audit charter in place › Internal audit reports functionally to the audit committee and administratively to the chief executive officer › Independence issues are considered for all internal audit activities › Comprehensive safeguards and reporting in place where chief audit executive may have non-audit responsibilities	› Where the chief audit executive may have non-audit responsibilities, there are appropriate safeguards in place for non-audit duties supported by appropriate quarantined internal audit function resourcing › Internal audit independence assessed annually and reported to the audit committee › Charter externally benchmarked annually and appropriate changes made
Structure / Operating Model	› Internal audit structure and operating model not defined	› Internal audit structure and operating model informally defined › Internal audit business units work independently in silos	› Internal audit structure and operating model defined and being implemented › Limited collaboration between internal audit business units	› Internal audit structure and operating model defined and implementation in progress › Effective collaboration between internal audit business units	› Optimum internal audit structure and operating model defined / effectively implemented / continually reviewed › Full alignment to organisation strategy and objectives › Internal audit business units work together to deliver the internal audit mission

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Internal Audit Excellence Framework: Maturity Assessment Model

2. Governance *Establishing solid foundations for effective internal audit operations*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Methodology	› Ad hoc internal audit methodology and process	› Basic internal audit methodology and process	› Documented one dimensional internal audit methodology and process with limited depth › Some attention to root cause analysis	› Solid fit-for-purpose internal audit methodology and process that brings consistency and quality › Formal root cause analysis in place	› Dynamic and agile internal audit methodology and process › Specifically aligned to the internal audit excellence framework which in turn aligns services to business strategy and objectives › Robust root cause analysis methodology implemented and operating effectively
Performance Reporting	› Not a consideration	› Not actively considered	› Some performance reporting but not clearly measured or specifically aligned to business strategy and objectives	› Specified performance measures › Regular performance reporting	› Clear performance measures in alignment to business strategy and objectives › Clear links drawn between key activities and results achieved › Meaningful performance information with clear line of sight between planned and actual performance › Process comprises planning / measuring / reporting

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Internal Audit Excellence Framework: Maturity Assessment Model

3. People and Culture *Building the next generation team to stay in front*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Internal Audit Employer of Choice	› No focus on becoming an internal audit employer of choice	› Reactive approach to internal audit employer of choice offering	› Some approaches developed to internal audit employer of choice offering	› Some approaches successfully implemented to internal audit employer of choice offering	› Formal employer of choice plan › Internal audit has a good reputation and candidates want to work there › The organisation attracts high-calibre internal audit candidates
Capability Development	› Little or no consideration of capability development	› Informal planning with some focus on capability development	› Capability development maintains the status quo	› Capability development initiatives enhance competency › Some focus on building new capability areas › Internal auditors are encouraged to become Certified Internal Auditors	› Formal capability planning › Significant focus on continually developing people to stay ahead of the pack › The organisation drives Certified Internal Auditor as the certification of choice for its internal auditors and there is a formal program to place to support this
People Performance Management	› Little or no consideration of performance management or improvement	› Corporate performance management approach	› Corporate performance management approach with some specific internal audit improvement focus	› Solid performance management and people improvement approach › Focus on internal audit capability improvement and individual development	› Advanced approach to performance management › Designed to foster and mentor continual improvement of people › Detailed measures on performance obtained throughout the year › Internal audit capability enhanced year-on-year

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Internal Audit Excellence Framework: Maturity Assessment Model

3. People and Culture *Building the next generation team to stay in front*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Culture / Ethics	› No particular focus on Internal audit ethical culture development	› Some consideration of internal audit ethical culture development	› Consideration of how to build internal audit ethical culture › Some formal ethics training	› Focus on initiatives to develop internal audit ethical culture	› Strong embedded internal audit ethical culture that comes directly from the organisation and internal audit tone at the top
Career and Succession Planning	› No focus on career and succession planning	› Reactive approach to career and succession planning	› Some focus on career and succession but not formally planned › Some contingency training for key positions	› Internal audit management have identified succession planning candidates	› Formal career and succession planning process actively supported by the audit committee › Sophisticated program to identify and prepare candidates

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Internal Audit Excellence Framework: Maturity Assessment Model

4. Service Delivery *Delivering dynamic and agile internal audit services*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Dynamic and Continual Risk Assessment	› Limited risk assessment	› Basic approach to risk assessment	› Documented approach to risk assessment › Annual risk assessment	› Good practice approach to risk assessment › Ongoing risk assessment	› Leading practice approach to risk assessment › Risk assessment approach anticipates risks through a real-time forward-looking lens › Risk assessment approach seeks to evaluate risks and issues continually, not just at a point in time
Integrated Assurance Strategy	› No consideration of other assurance providers	› Assurance activities operate in silos › No consideration of co-ordination across the lines of assurance	› Ad hoc integrated assurance focus › Ad hoc focus on co-ordination with other assurance providers – may be reliance on their work	› Assurance mapping across assurance activities identifies gaps and duplication to inform internal audit plan development › Some focus on co-ordination with other assurance providers and reliance on their work	› Organisation-wide co-ordinated assurance focus › Assurance strategy built on assurance mapping identifies gaps and duplication to inform internal audit plan development › Clear co-ordination with other assurance providers and reliance on their work › Improvement opportunities assigned to relevant stakeholders across all lines of assurance

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Internal Audit Excellence Framework: Maturity Assessment Model

4. Service Delivery *Delivering dynamic and agile internal audit services*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Internal Audit Plan / Value Proposition	› Basic internal audit plan coverage › Not risk-based planning › No technology applied to internal audit services › Compliance focus › No focus on internal audit services	› Cyclical internal audit plan coverage › May not be risk-based planning › No technology applied to internal audit services › Generally a compliance focus › Ad hoc internal audit services rarely accepted	› Risk-based internal audit plan coverage › Risk-based engagement planning › May be basic technology applied to internal audit services › Limited range of internal audit services › May be some ad hoc internal audit services	› Assurance map informs internal audit planning › A range of internal audit services including operational / technology / financial / compliance › Ad hoc internal audit services accepted	› Assurance strategy built on an assurance map approach to internal audit planning › Internal audit plan leverages the risk management system and GRC system › Sophisticated and planned internal audit technology environment › Service catalogue comprising many internal audit service types › Ad hoc internal audit services encouraged
Service Catalogue	› Undefined or ad hoc service approach provides a limited internal audit service	› Basic approach to provision of internal audit services	› Mostly 'one size fits all' full scope internal audit engagements	› Assurance and advisory services offered › Generally 'one size fits all' full scope internal audit engagements › Focus on risk areas such as technology and projects	› A formal service catalogue offering a range of assurance and advisory services for a more dynamic and flexible internal audit service › Innovative practices piloted › Focus on forward-looking services such as in-flight assurance over ongoing projects and business initiatives › Internal audit services cover such things as organisation culture / risk culture / sustainability / ESG

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4. Service Delivery *Delivering dynamic and agile internal audit services*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Resource Model	› Undefined and ad hoc approach to internal audit resourcing › Internal audit staff do not generally have appropriate qualifications and relevant experience	› Basic approach to internal audit resourcing with no formal resourcing model and unlikely to include specialist technical resources › Adequate internal audit staff for basic planned work › Some internal audit staff have appropriate qualifications and relevant experience	› Internal audit resourcing built around internal audit plan requirements and may include some specialist technical resources › Number of staff is sufficient to support a risk-based internal audit plan › Most internal audit staff have appropriate qualifications and relevant experience	› Clear matching of resources necessary to deliver the internal audit plan › Resources may be combination of in-house and co-sourced specialist technical resources › Most internal audit staff have appropriate qualifications and experience › Most internal audit work is performed by Certified Internal Auditors whether in-house or service provider › External resources are engaged where appropriate	› Internal audit plan and resourcing includes budget and human resources necessary to deliver internal audit services through appropriate sourcing arrangements › Internal audit continually plans for future resource requirements to respond to business needs › Guest auditors and rotation program actively considered › Internal audit staff have appropriate qualifications and experience › All internal audit work performed by Certified Internal Auditors whether in-house or service provider

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4. Service Delivery *Delivering dynamic and agile internal audit services*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Service Delivery Imperatives	› Basic internal audit services delivered using an ad hoc process approach › No automated approach › Little internal audit quality	› Basic process approach to delivery of internal audit services with a basic methodology › No automated approach › Limited internal audit quality	› Defined and implemented internal audit methodology is 'one size fits all' › Limited automated approach › Some internal audit quality elements	› Fit-for-purpose methodology and process that can be readily adapted for various internal audit service approaches › Automated approaches › Adequate level of quality › Some advisory services	› Dynamic and flexible methodology and process can be rapidly adapted and deployed for strategic business requirements › Focus on automated approaches › Strong internal audit quality › Many advisory services › Internal audit has a seat at the table as a strategic adviser to management › Timely lessons learned analysis performed by internal audit when the organisation or industry experiences adverse events and opportunities
Technology Assurance	› Internal audit does not consider technology assurance › There is no internal audit technology strategy	› Internal audit has a basic approach to technology assurance › There is no internal audit technology strategy	› Internal audit has a documented approach to technology assurance › There may be elements of an internal audit technology strategy › Internal audit performs review of cybersecurity	› Internal audit technology assurance is specifically included in the internal audit plan › Covers information technology (ICT) but unlikely to cover operational technology › Internal audit may seek to minimise duplication of technology assurance effort and leverage the work of other technology assurance providers › Cybersecurity is regularly reviewed	› Best practice internal audit technology strategy that covers both information technology (ICT) and operational technology › Internal audit assures technology systems are not disrupted and service delivery affected › Internal audit seeks to minimise duplication of technology assurance effort and leverage the work of other technology assurance providers › The internal audit plan considers technology risk including cybersecurity

Internal Audit Excellence Framework: Maturity Assessment Model

5. Operational Excellence *Cultivating excellence and exceptional talent*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Innovation / Proof of Concept	› No consideration of innovation	› May be reactive approach to innovation	› Consideration of how innovation can be brought to the surface	› Documented approach to innovation › Some innovation success stories	› Documented approach to innovation › Proof of concept used to verify innovation concepts › Innovation forum established › Many innovation success stories
Artificial Intelligence Empowerment	› No consideration of artificial intelligence empowerment	› Some consideration of artificial intelligence empowerment	› Consideration of how to build artificial intelligence empowerment	› Internal audit management in process of artificial intelligence empowerment › May be a pilot program	› Strong embedded approach to artificial intelligence empowerment › Artificial intelligence empowerment operating effectively › Artificial intelligence benefits realised
Centres of Excellence	› No consideration of centres of excellence	› Some consideration of centres of excellence but not implemented	› Consideration of how to build centres of excellence	› Internal audit management in process of implementing centres of excellence › May be a pilot program	› Strong embedded approach to centres of excellence › Centres of excellence operating effectively › May include areas such as digital enablement or project assurance
Talent Incubation	› No consideration of talent attraction	› Undefined and ad hoc approach to attracting talent	› Some consideration of talent attraction	› Formal approach to attracting talent but no formal incubation program	› Innovative approach to attracting talent includes talent incubation designed to develop future-focused people management skills / knowledge / competence › Internal audit is a next generation talent incubator

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Internal Audit Excellence Framework: Maturity Assessment Model

5. Operational Excellence *Cultivating excellence and exceptional talent*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Professional Standards / Quality	› No commitment to the 'Global Internal Audit Standards' › Quality processes not established › Work output quality dependent on individuals	› Low level commitment to the 'Global Internal Audit Standards' › Some quality processes	› Some commitment to the 'Global Internal Audit Standards' › Quality assurance program elements implemented	› Commitment to the 'Global Internal Audit Standards' › Focus on quality and continuous improvement › Independent external quality assessment performed every 5 years › External quality assessment recommendations implemented in a timely way › Independent external quality assessment results is generally achieving the Global Internal Audit Principles and generally conforming with the 'Global Internal Audit Standards'	› Strong commitment to the 'Global Internal Audit Standards' › Regular training and reinforcement of the 'Global Internal Audit Standards' › Independent external quality assessment performed more frequently than every 5 years › Independent external quality assessment result is fully achieving the Global Internal Audit Principles and fully conforming with the 'Global Internal Audit Standards' › Few or no external quality assessment recommendations › Quality assurance program forms basis for trend analysis and continuous improvement › Quality performance measures in place › Forums convened to continuously seek new ideas and innovation › Improvements quickly implemented and tracked for effectiveness

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5. Operational Excellence *Cultivating excellence and exceptional talent*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Continual Stakeholder Feedback	› Stakeholder feedback not sought on quality of internal audit services	› Ad hoc stakeholder feedback may be sought on quality of internal audit services	› Formal stakeholder feedback limited to management opinion on internal audit services	› Formal stakeholder feedback process covers internal audit services – may also cover audit committee and management › Feedback results reviewed and improvements may be implemented	› Formal stakeholder feedback process covers internal audit services / audit committee / management › Feedback results reviewed and improvements swiftly implemented where necessary

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6. Digital Enablement *Leveraging technology for enhanced assurance and advice*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Digital Enablement Plan	› Digital enablement plan not considered	› Digital enablement plan defined but not implemented	› A key component of the internal audit strategy is development of a digital enablement plan › Basic digital enablement implemented	› Digital enablement plan in progress of implementation › A key component of the internal audit strategy is a digital enablement plan › The digital enablement plan includes internal audit technology priorities to guide technology audit evolution to further support the organisation › The digital enablement plan aligns with the internal audit resource model › The digital enablement plan mainly covers data analytics › Data analytics will be used to test controls and validate that business risks are appropriately managed	› Digital enablement plan implemented › Internal audit is continually aware of new technologies and how best to audit them – this may include technologies such as machine learning / artificial intelligence / advanced analytics / robotic process automation › Internal audit employs sophisticated technological approaches › A key component of the internal audit strategy is a digital enablement plan › The digital enablement plan includes internal audit technology priorities to guide technology audit evolution to further support the organisation › The digital enablement plan aligns with the internal audit resource model › The digital enablement plan covers such things as cyber-crime / data mining / data analytics / continuous control monitoring / continuous auditing. › Data analytics used to test controls and validate that business risks are appropriately managed

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6. Digital Enablement *Leveraging technology for enhanced assurance and advice*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**

Digital Enablement Capability	› Digital enablement capability not considered	› Digital enablement capability defined but not implemented	› A key component of the internal audit strategy is development of a digital capability plan
			› Basic digital capability implemented
				› There is some focus on digital capability development driving internal audit recruitment / development / performance
				› Internal audit has an ad hoc approach to discovery of new technologies and how best to use them
					› Internal audit has full competence to audit technology business processes
					› Capability development drives internal audit recruitment / development / performance to ensure internal audit has the talent it needs to best fulfil its role
					› Internal audit is continually aware of new technologies and how best to audit them
					› The chief audit executive is alert to:
					  › Where new technologies may be used in the organisation
					  › Building capability to audit new technologies
					  › Potential within internal audit to use new technologies to boost productivity and outcomes

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7. Communicating Results *Demonstrating foresight and communicating value*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Integrated Assurance Reporting	› No focus on integrated assurance reporting	› Assurance activities operate in silos with no consideration of integrated assurance reporting	› Ad hoc integrated assurance reporting	› Some focus on integrated assurance reporting › Relies on individual assurance activities and not driven from the top	› Integrated assurance reporting driven from the top › Organisation-wide integrated assurance reporting focus brings all lines of assurance together › Clear integrated assurance reporting informs the audit committee and management › Commentary on whether organisation has the right level of controls
Audit Committee Reporting	› No audit committee reporting arrangements	› Ad hoc audit committee reporting	› Audit committee reporting is established, timely, accurate and fit-for-purpose	› Reports contain statistical data from work outputs including performance measures › Reporting is informative and valued by the audit committee	› Reports contain forward-looking and proactive information highlighting trends and issues › Reporting periodically assessed against professional and industry leading practice

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7. Communicating Results *Demonstrating foresight and communicating value*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Thematic / Foresight Reporting	› No management reporting arrangements	› Ad hoc management reporting	› Reporting to management established, timely, accurate and fit-for-purpose › Reports contain statistical data from work outputs including performance measures	› Reports contain statistical data from work outputs including performance measures › Reporting is informative and valued by the audit committee › Some thematic reporting but not a strategic approach	› Reports contain forward-looking and proactive information highlighting trends and issues › Reporting periodically assessed against professional and industry leading practice › Data analysis and results identify common themes identified from internal audit work across the organisation to inform and provide insights and foresight to the audit committee and management › Efficiencies identified from internal audit work outcomes

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7. Communicating Results *Demonstrating foresight and communicating value*					
Component	**Initial**	**Defined**	**Implemented**	**Managed**	**Optimising**
Internal Audit Annual Report	› No internal audit annual report	› Ad hoc internal audit annual reporting	› Internal audit annual report prepared each year with basic content	› Internal audit annual report contains information on internal audit operations and achievements but is largely focused on the internal audit plan results › Reporting is informative and valued by the audit committee	› Comprehensive internal audit annual report produced by internal audit at year-end to showcase the internal audit contribution over the previous year › Provides trends, analysis and commentary on audit themes and helps enhance internal audit credibility by drawing the 'whole story' together. › Includes informative information including KPI results / attestation statement for the year / Statement of assurance and opinion on the state of the control environment › Coverage of audit universe and key risks reported to audit committee and executive management › Overall opinion and conclusion on the state of internal control reported to audit committee
Management Action Implementation	› No audit action implementation monitoring or follow-up	› Reactive ad hoc audit action implementation monitoring and follow-up › Timely audit action implementation not a management focus	› implementation monitoring and follow-up process in place › Limited management attention to timely audit action close-out › May be many overdue audit actions	› Implementation monitoring and follow-up process in place › Reasonable level of timely management compliance › Overdue audit actions receive some focus › Some retesting of controls	› Structured and proactive audit action implementation monitoring and follow-up process › Timely management compliance led from the top › Few audit actions overdue › Active program for retesting controls to ensure closure is sustainable

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