



AUDITOR-GENERAL

Annexure 4: Capability maturity model

The financial management capability model (FMCM) was initially used to assess the financial management maturity of the auditees as part of the audit planning phase. The AG, however, decided to use the same measurement framework in order to ascertain the maturity levels of its own business processes and risks, thus extending the FMCM to be an integrated capability maturity model (CMM) that not only covers financial management, but looks at the AG processes holistically.

A capability model can be defined as:

- A yardstick against which it is possible to judge, in a repeatable way, the maturity of an organisation's processes and to compare it to the state of practice in the industry.
- A tool to measure the current status of an organisation, to determine process areas of improvement, and to plan, prioritise and evaluate the implementation of the areas of improvement.
- Maturity models therefore provide best practices, measurement standards and improvement paths.

The term "maturity" refers to the effectiveness of an organisation's development processes. If an organisation uses no processes at all, it is considered immature and thus operates in an environment where risk is high and predictability is low. If the organisation uses refined processes it is considered mature and thus operates in an environment where predictability is high and risk is low.

The levels of maturity are:

Level 1: Start-up level where no proper control framework exists

There is evidence that the organisation has recognised that the issues exist and need to be addressed. There are however no standardised processes. The organisation as a whole is not process-orientated. Instead there are ad hoc processes that tend to be applied on an individual or case-by-case basis. The overall approach to management is disorganised. The success or failure of these organisations depends on the talents of staff, good luck or good fortune. The key focus for improvement at this level would be disciplined processes.

Level 2: Development level where a proper internal framework is developed

Processes have developed to the stage where similar processes are followed by different people undertaking the same task. There is no formal training or communication of standard procedures and responsibility is left to the same individual. There is a high degree of reliance on the knowledge of individuals and therefore errors are likely. Here the key focus for improvement would be standard consistent processes.



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Level 3: Control level which focuses on the compliance and control

Procedures have been standardised and documented and communicated through training. Projects are managed using repeatable processes and the organisation has the infrastructure to support a process-driven environment. It is however left to the individual to follow these processes and it is unlikely that deviations will be detected. The procedures themselves are not sophisticated but are the formalisation of existing practices. The key focus for improvement would be predictable processes.

Level 4: Information level that measures the utilisation of resources with effective results

The economic, efficient and effective utilisation of resources is managed, measured and reflected in reliable financial information.

Level 5: Management level that will determine the utilisation of resources with effective results

It is possible to monitor and measure compliance with procedures and to take action where processes appear not to be working effectively. Processes are under constant improvement and provide good practice. Automation and tools are used in a limited or fragmented way. At this level we are looking at continuously improving processes.

Level 6: Optimisation level which enables continuous improvement and learning

This is the highest level of maturity. Processes have been refined to a level of best practice, based on the results of continuous improvement and maturity modelling with other organisations. Information technology is used in an integrated way to automate the workflow, providing tools to improve quality and effectiveness, making the enterprise quick and adaptable.

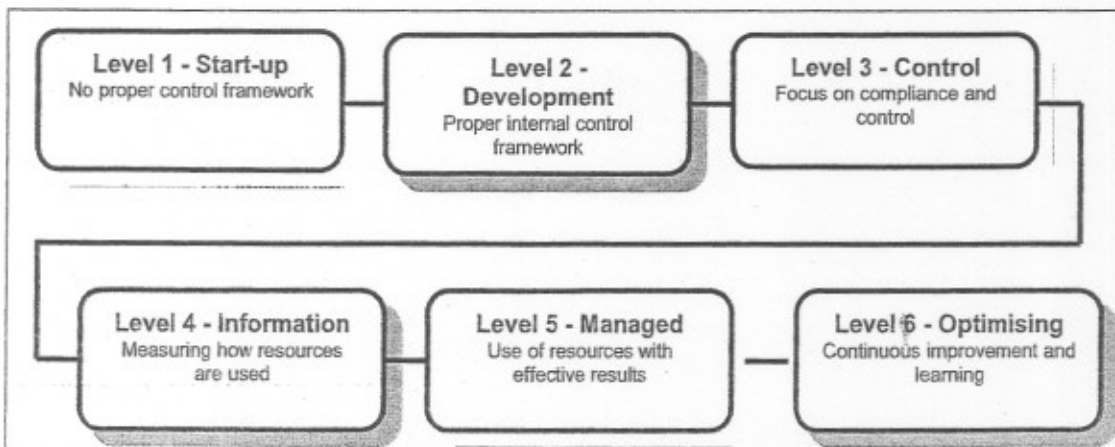


Figure 2: Capability maturity model