

**Connect** › **Support** › **Advance**



The Institute of  
**Internal Auditors**  
*Australia*

**Whitepaper**

# Stakeholder Relationship Management

Updated 2023

Level 5, 580 George Street, Sydney NSW 2000 | PO Box A2311, Sydney South NSW 1235

**T** +61 2 9267 9155 **F** +61 2 9264 9240 **E** [enquiry@iia.org.au](mailto:enquiry@iia.org.au) **www.iia.org.au**

# Stakeholder Relationship Management

## Contents

Background	2
- Purpose	2
- Background <sup>i</sup>	2
Discussion	2
- Issue	2
- History	3
- Discussion	3
- Five Action Steps	6
Conclusion	6
- Summary	6
- Conclusion	6
References	6
Purpose of White Papers	7
Author's Biography	7
About the Institute of Internal Auditors–Australia	7
Copyright	7
Disclaimer	7

## Background

### Purpose

A stakeholder relationship management program is a structured approach for identifying internal audit's key stakeholders, documenting and implementing a plan for communicating with these stakeholders, and periodically reviewing the plan (more frequently when there is a significant restructure or change in the nature of the organisation's business).

### Background<sup>(i)</sup>

Stakeholder relationship management theory argues that for management to successfully implement its vision, mission and business strategy it must have the support of those who can affect the organisation.

A stakeholder is a person, group, or organisation that has a direct or indirect interest or concern in an organisation's activities and outcomes. For internal audit, a stakeholder is any person, group, or organisation that can affect, or can be affected by, the internal audit activity. Not all stakeholders are equal. Some have greater influence than others.

The identification of key stakeholders and their interests is important in ensuring the success of an internal audit activity. It helps to ensure internal audit's efforts are appropriately aligned with the needs of the organisation.

Focused stakeholder engagement is beneficial to internal audit achieving its vision, mission and agreed outcomes because it:

- › Keeps internal audit current with the entity's emerging issues, risks and priorities,
- › Provides fresh insights that help to improve internal audit planning, prioritising of activities, and reporting,
- › Educates stakeholders on the role that internal audit can and should play,
- › Demonstrates how internal audit adds value, and
- › Markets the contribution and services of the internal audit activity.

## Discussion

### Issue

Internal auditors interact with stakeholders daily. Effective stakeholder relationships are essential for internal audit's success. Fostering and strengthening stakeholder relationships helps to build confidence in internal audit's work and develops in stakeholders an understanding of the role that internal audit can and should play.

In the absence of a formal, systemic and cohesive stakeholder management framework the management of internal audit's stakeholders often becomes informal, ad hoc and less meaningful. Weak stakeholder relationships run the risk of:

- › Not meeting stakeholder needs and expectations, or meeting them inconsistently.
- › Insufficient support from senior management and the board and a reluctance to provide internal audit with adequate resources.
- › A corporate culture that does not support internal audit.
- › The inability to identify and monitor emerging risks, trends and issues.

As the range of stakeholders can be broad, it is important for internal audit to have a stakeholder relationship management program to help prioritise relationships and ensure that stakeholder needs are met.

# Stakeholder Relationship Management

The objective of an internal audit stakeholder relationship management program is to identify internal audit's stakeholders and outline strategies and approaches to build and maintain effective relationships that help to drive value for the organisation.

## History

The *Governance Lighthouse*<sup>(ii)</sup> developed by the Audit Office of New South Wales lists the need for a 'key stakeholder management program' within public sector entities (one of its seventeen elements). This reflects that sound corporate governance within the public sector is paramount to service delivery and the economic and efficient use of taxpayers' money.

The concept of stakeholder relationship management is equally relevant for listed companies. Many of the corporate governance principles and recommendations of the ASX Corporate Governance Council<sup>(iii)</sup> relate to stakeholder communications, particularly those relating to acting ethically and responsibly, safeguarding the integrity in corporate reporting, and respecting the rights of key stakeholders. Stakeholder influence, impact, needs, and expectations determine how the relationship should be managed. In communicating within the organisation, the internal audit activity must be clear as to what it can and cannot do in carrying out its work. This is guided by relevant standards contained in the International Professional Practices Framework (IPPF), for instance:

- › Unbiased mental attitude (Standard 1100: Independence and Objectivity).
- › Addition of value and improvement of operations (Standard 2000: Managing the Internal Audit Activity).
- › Accomplishment of objectives (Standard 2000: Managing the Internal Audit Activity).
- › Systematic and disciplined approach (series starting with Standard 1200: Proficiency and Due Professional Care, also, Standard 2100: Nature of Work).
- › Evaluation and improvement (series starting with Standard 2100: Nature of Work).
- › Sharing information and coordinating activities with other internal and external providers (Standard 2015: Coordination).
- › Enhanced high-level reporting (Standard 2060: Reporting to Senior Management and the Board).

## Discussion<sup>(iv)</sup>

Stakeholder relationships can be complex, and may involve a broad range of internal and external stakeholders who affect and/or are affected by the efforts of internal audit.

Internal audit's ability to implement its mission, vision, and audit plan is influenced by the support of its stakeholders. Effective stakeholder relationship management programs build, develop, and maintain vital working relationships among internal audit's stakeholders, providing value to internal audit, stakeholders, and the organisation.

By listening to stakeholders, internal auditors are better placed to align their activities to the stakeholder's perception of risks and how they are managed, and to drive continual improvement across the organisation in line with its objectives and strategic drivers.

Ten critical success factors of an effective stakeholder relationship management program are:

1. Establishing a formal, systemic and cohesive program,
2. Championed by the CAE and having engagement of key internal audit staff,
3. Rational assessment of the influence, impact, and priority of stakeholders,
4. Clear and consistent engagement,
5. Regular and relevant communication,
6. Transparent and honest conversations that build trust,
7. Active two-way communication (listen and feedback),
8. Sharing of meaningful insights that have an impact,
9. Follow-through of commitments given, and
10. Consideration of the varying needs of different stakeholders.

Each stakeholder category may have different and sometimes highly specialised needs. Successful stakeholder relationships are dependent upon meeting those needs and communicating regularly to ensure that the various stakeholders are kept informed as to how and when those needs will be met.

In general terms, as the level of stakeholder influence increases, so does the nature and extent of communication. Moreover, the more influential a stakeholder group is, the more senior will be the level of internal auditor charged with fostering and maintaining that relationship.

# Stakeholder Relationship Management

A basis for prioritising stakeholders is illustrated in Exhibit 1.

Exhibit 1 – Prioritising stakeholders

Influence	High	Collaborate: maintain confidence	Critical Stakeholders: most significant and influential relationships
	Low	Monitor and inform	Professional Liaison
		Low	High
		Impact	

The quadrants illustrated in Exhibit 1 help the CAE to develop a stakeholder relationship management program. The meaning of each quadrant is summarised below.

- High influence and high impact** – critical stakeholders quadrant: high degree of influence on how internal audit is perceived; high degree of impact within organisation and on internal audit; are leaders in the organisation; the organisation’s most influential individuals, such as audit committee members, CEO, CFO and other senior managers, internal audit cohort.
- High influence and low impact** – collaborate quadrant: high influence on others in organisation, though low impact on internal audit; critical to understand their perspective and maintain their confidence, such as senior executives in business lines, audit recipients, key committees of the organisation, internal assurance providers, national audit office or other external auditors.
- Low influence and high impact** – professional liaison quadrant: low degrees of influence within the organisation but high impact on the internal audit activity and its professionalism; includes professional bodies that set standards and provide guidance, such as the IIA and ISACA.
- Low influence and low impact** – monitor and inform quadrant: low degrees of both influence and impact, but affected by internal audit’s work; includes members of internal audit activity, senior accounting practitioners, local professional leaders, internal service providers (e.g., human resources, public relations and communications), third-party service providers, and other players within the sector.

A number of key strategies must be developed to maintain effective relationships with each stakeholder. The nature of relationship management activities varies by stakeholder. In addition, the nature and extent of the investment made in developing and implementing stakeholder management strategies for each stakeholder is determined by organisational requirements and business needs.

Exhibit 2 provides an example of the types of stakeholders that may fall into each of the four quadrants of the prioritisation elements contained in Exhibit 1.

Exhibit 2 – Example of stakeholders by priority

<b>Collaborate</b> <ul style="list-style-type: none"> <li>Other internal assurance providers</li> <li>Senior executives in business lines</li> <li>Audit clients</li> <li>Auditor General (Legislative auditor); external auditor</li> <li>Organisational Committees</li> </ul>	<b>Critical Stakeholders</b> <ul style="list-style-type: none"> <li>Chief Executive Officer</li> <li>Chair of Audit Committee</li> <li>Audit Committee Members</li> <li>Chief Financial Officer</li> <li>C-Suite</li> <li>Internal audit cohort</li> <li>Corporate Secretariat</li> </ul>
<b>Monitor and Inform</b> <ul style="list-style-type: none"> <li>Senior Accounting practitioners</li> <li>Other members of the sector</li> <li>Counterparts in other jurisdictions / professions</li> <li>Local professional leaders</li> <li>Third party service providers</li> <li>Internal service providers - HR, legal etc</li> </ul>	<b>Professional Liaison</b> <ul style="list-style-type: none"> <li>Professional bodies - IIA, ISACA, CPA, CA, ACFE etc.</li> </ul>

For each identified stakeholder (using Exhibit 2 as a basis), a formal and systematic stakeholder relationship program is established. The type of analysis and content of the program is illustrated in the example at Exhibit 3.

# Stakeholder Relationship Management

Exhibit 3 – Example format for a stakeholder relationship management program

Stakeholder	Importance of Relationship	Interests \ Needs of the stakeholder	Staff responsibility	Frequency	How and what provided
Chief Executive Officer	Powerful as a key champion	High level and significant issues that relate to achievement of strategic priorities of the entity	CAE	Formal quarterly scheduled meetings  As necessary	Timely insights
Chair - Audit Committee	Critical as the CAE reports functionality to this role	Advice on trends and issues related to governance, risk management and control  Assurance that the audit plan is being accomplished  Appropriateness of staffing and resourcing of IA  Early warning on emerging issues from audits	CAE	Monthly discussions  Scheduled audit committee  In camera sessions as part of audit committee meetings  As required	Formal audit committee meetings  Scheduled off line discussions

Responsibility for primary stakeholder relationships (ie critical stakeholders quadrant in Exhibit 2) typically falls to the Chief Audit Executive (CAE). Additionally, internal audit directors may be responsible for assisting with certain primary stakeholder relationships, such as audit committee members.

Internal audit directors typically share responsibility with the CAE for many secondary stakeholder relationships (ie collaborate quadrant in Exhibit 2), including internal assurance providers, senior business line executives, committees, counterparts in other jurisdictions, third-party service providers, and others.

All internal audit staff are involved in fulfilment and maintenance of the expectations and needs of secondary stakeholders (ie monitor and inform and professional liaison quadrants in Exhibit 2). The entire internal audit staff may be responsible for stakeholder relationships with senior accounting practitioners, audit clients, local professional leaders, and professional organisations.

Administrative support staff for the internal audit activity may be responsible for relationships with an organisation's human resource (HR) and legal departments, as well as other internal service providers.

Implementation of a worthwhile stakeholder communication program yields the necessary results for internal audit only if it has competent staff and tools to undertake the planned activities and share the insights in a timely manner. Stakeholder trust can be inadvertently compromised when what is promised is not undertaken or delivered by the internal audit activity.

An effective stakeholder relationship program established by the CAE can potentially enhance the organisation's ability to:

- > Deliver its strategic agenda, including meeting commitments to government or any public sector body (public sector) or to shareholders (listed companies).
- > Maintain effective control, particularly during critical changes in such areas as strategy, policy, service

# Stakeholder Relationship Management

delivery, organisational alignment, and business systems.

- › Deliver transparency in identifying and managing risks and control breakdowns and understanding the corporate culture.
- › Maintain fluent service delivery, supply chain procurement and operations, and information communication and technology (ICT) systems.
- › Drive efficient use of existing resources and effective administration.
- › Provide reliable information for decision-making.
- › Minimise opportunities for fraud and corruption, particularly related to increased electronic service delivery, cyber and greater use of social media.

## Five Action Steps

The establishment of a stakeholder relationship management program can be achieved where the Chief Audit Executive implements the following action steps.

1. Develop a stakeholder relationship management policy for internal audit and have it endorsed by the Chief Executive and the Audit Committee.
2. Include a copy of internal audit's stakeholder relationship management policy on the organisation's intranet site (or equivalent) and distribute it to key stakeholders.
3. Document operational elements of the stakeholder relationship management program including knowledge management arrangements in the Audit Manual, including the handling and escalation of complaints should they arise.
4. Implement the stakeholder relationship management program through the following steps:
  - › Identify key stakeholders and categorise them in terms of influence and impact within the organisation.
  - › Assign responsibility for specific stakeholders to members of the internal audit team.
  - › Articulate the various engagement strategies.
  - › Inform internal audit staff of the mechanics of the stakeholder relationship program, including how it will operate, their roles, and knowledge management arrangements.
  - › Build and maintain effective working relationships with each stakeholder.
  - › Develop and refine an understanding of stakeholder needs.

- › Utilise the insights obtained through stakeholder engagements to optimise the audit universe, enhance risk-based audit planning, prioritise audit engagements, and report emerging risks and issues to the audit committee periodically.
5. Evaluate stakeholder relationship program on a regular basis (at least annually or when there is a significant change to the business, key processes, or organisational structure arrangements).

## Conclusion

### Summary

Effective stakeholder relationships serve internal audit and its stakeholders. While internal auditors gain enhanced insight into the needs of stakeholders and how internal audit may assist them in achieving their objectives, stakeholders gain a better understanding of internal audit's value. Both benefit from an improved alignment between internal audit's work and stakeholders' objectives.

The sharper focus that internal audit derives from an effective stakeholder relationship management program ultimately helps the organisation to achieve its strategies, meet its commitments, maintain effective control, deliver transparency, maintain fluent service delivery, drive continual improvement, provide reliable decision-support information, and minimise opportunities for fraud and corruption.

### Conclusion

The objective of an internal audit stakeholder relationship management program is to identify internal audit's stakeholders and outline strategies and approaches to build and maintain effective relationships. The benefits that can accrue from an effective stakeholder relationship program deliver value to internal audit activities of any size.

### References

<sup>(i)</sup> Exhibits and base content were sourced from a presentation on Emerging Trends in the Public Sector: Stakeholder Relationship Management, delivered at the IIA International Conference in London July 2014.

<sup>(ii)</sup> NSW Auditor General's Report to parliament, Volume one 2015, Appendix One – Governance Lighthouse – Strategic Early Warning System

# Stakeholder Relationship Management

<sup>(iii)</sup> Corporate Governance Principles and Recommendations, Australian Stock Exchange (ASX) Corporate Governance Council, 4th edition, 2019

<sup>(iv)</sup> Sawyer's Internal Auditing 7th Edition (Lake Mary, FL: Internal Audit Foundation), Chapter 6

## Purpose of White Papers

A White Paper is a report authored and peer reviewed by experienced practitioners to provide guidance on a particular subject related to governance, risk management or control. It seeks to inform readers about an issue and present ideas and options on how it might be managed. It does not necessarily represent the position or philosophy of the Institute of Internal Auditors–Global and the Institute of Internal Auditors–Australia.

## Author's Biography

Written by: Bruce Turner AM  
CRMA, CGAP, CISA, CFE, PFIIA, FFin, FFA, FIPA, FAIM, FAICD, JP

Bruce has been a member of the IIA since 1984 and was an IIA-Australia Board Director from 2012 to 2018. He spent nearly 30 years within the financial services sector, which included extensive internal auditing responsibilities in Australia, United States and United Kingdom spanning commercial banking, merchant banking and central banking. He ultimately held CAE roles at the State Rail Authority of NSW, Integral Energy Australia, and the Australian Taxation Office. He is currently a company director and audit committee chairman and independent member.

Edited by: Andrew Cox  
MBA, MEC, GradDipSc, GradCertPA, DipBusAdmin, DipPubAdmin, AssDipAcctg, CertSQM, PFIIA, CIA, CISA, CFE, CGAP, CSQA, AIPA, AFA, MACS Snr, MRMIA

## 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. 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.

The IIA sets the bar for Internal Audit integrity and professionalism around the world with its 'International Professional Practices Framework' (IPPF), a collection of guidance that includes the 'International Standards for the Professional Practice of Internal Auditing' and the 'Code of

Ethics'.

The IPPF provides a globally accepted rigorous basis for the operation of an Internal Audit function. Procedures for the mandatory provisions require public exposure and formal consideration of comments received from IIA members and non-members alike. The standards development process is supervised by an independent body, the IPPF Oversight Council of the IIA, which is appointed by the IIA–Global Board of Directors and comprises persons representing stakeholders such as boards, management, public and private sector auditors, regulators and government authorities, investors, international entities, and members specifically selected by the IIA–Global Board of Directors.

IIA-Australia ensures its members and the profession as a whole are well-represented with decision-makers and influencers, and is extensively represented on a number of global committees and prominent working groups in Australia and internationally.

The IIA was established in 1941 and now has more than 180,000 members from 190 countries with hundreds of local area Chapters. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security.

## Copyright

This White Paper contains a variety of copyright material. Some of this is the intellectual property of the author, some is owned by the Institute of Internal Auditors–Global or the Institute of Internal Auditors–Australia. Some material is owned by others which is shown through attribution and referencing. Some material is in the public domain. Except for material which is unambiguously and unarguably in the public domain, only material owned by the Institute of Internal Auditors–Global and the Institute of Internal Auditors–Australia, and so indicated, may be copied, provided that textual and graphical content are not altered and the source is acknowledged. The Institute of Internal Auditors–Australia reserves the right to revoke that permission at any time. Permission is not given for any commercial use or sale of the material.

## Disclaimer

Whilst the Institute of Internal Auditors–Australia has attempted to ensure the information in this White Paper is as accurate as possible, the information is for personal and educational use only, and is provided in good faith without any express or implied warranty. There is no guarantee given to the accuracy or currency of information contained in this White Paper. The Institute of Internal Auditors–Australia does not accept responsibility for any loss or damage occasioned by use of the information contained in this White Paper.