3B
Creating the internal audit strategic plan

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Session Objective

Learn *what* internal audit strategic planning is, *how* to do it, and *why* it’s important for:

- Connecting with organisational context and strategy
- Maintaining relevance during accelerating change
- Enhancing the value and impact of internal audit
- Realising the internal audit mission.
A bit about me

• Accidental internal auditor
• Interspersed with diverse:
  ✓ IA and non-IA Roles (highly recommended)
  ✓ Industries
  ✓ Private and Public Sectors
• CAE since 2010
• Active in IIANZ leadership since 2012
Definition

It is not:

• Internal Audit Charter
• Internal Audit Methodology
• Internal Audit Annual Plan (work programme)
• Quality Assurance Improvement Program

It is:

Set of time-bound initiatives focused on the relevance and performance of internal audit framed against its purpose and organisational context.
Analogous equivalents

**Internal Audit Function**
- Charter
- Methodology
- Annual Audit Plan
- Improvement Plan
- Strategic Plan

**Government Department**
- Crown Directive
- Regulations
- Output Plan
- PIF
- Strategic Plan *

**Commercial Company**
- Constitution
- Operating Model
- Production Schedule
- ISO 9000 Plan
- Strategic Plan

**Charitable Organisation**
- Association Articles
- Policies & Rules
- Service Target
- Quality Plan
- Strategic Plan

* Statement of Intent / Four Year Plan (NZ)
Strategic Planning Cycle

- It is a process applicable to any business or organisation endeavour
- Ensures alignment of purpose, expectations and performance
- Maximise resource utility and identify gaps for desired impacts
- Iterative loop of expectation management underpinned by professional standards

Source: IPPF Practice Guide
1. Understand the context

Considerations

- Regulatory environment
- Sector characteristics
- Strategic objectives and risks
- Values and culture
- Performance measures

Why? IA should contribute positively to organisation outcomes

Study

- Strategic plans or intentions
- Recent annual reports
- Public statements
- PEST / 5- forces analysis
2. Know your stakeholders

Considerations

- Who are they
- What are their business priorities
- Do they understand the role of IA
- What is their role on IA engagements
- What do they value or detest

Why? IA value-add is determined by stakeholder satisfaction

Do

- Meet senior leaders regularly
- Ask informed questions
- Bring relevant insights
- Target key relationships
3. Update internal audit mission

Considerations

- Organisation risk tolerance / appetite
- Purpose and focus of internal audit
- Scope of responsibility
- Lines of accountability
- Engagement protocols

**Why?** IA purpose must be contextually relevant to meet key expectations

**Tips**

- Future orientation & proofing
- Balance advisory with assurance
- Promote organisation awareness
- You won’t please everyone
4. Determine CSFs

Considerations

- Positioning – strategic & supported
- Processes – responsive & enabling
- People – competent & complementary
- Priorities – focus on highest risk
- Impact – durable improvements

**Why?** IA performance is underpinned by these success factors

**Guidance**

- Reflect on what worked (or not)
- Balance quality with timeliness
- SME vs skills vs mind-set
- Whose priority matter more?
5. SWOT analysis

Considerations

• Reference IA Vision & Mission
• Functional independence & mandate
• Capability & capability requirements
• Sourcing & delivery models
• Span of control and influence

Why? Improvement starts with knowing what’s working and what’s not.

Balance

• Team & client inputs / validation
• Quick wins vs long game
• Delivery, maintenance or overhaul (in and on-business)
6. Identify & prioritise initiatives

Considerations

- Anchor initiatives against CSFs
- Map against SWOT analysis
- Express objectives and specific tasks
- Manage as projects
- Confirm fit with context & objectives
- Socialise and agree with stakeholders

Why? Doing doesn’t happen without planning, resourcing & support.

Hints

- Secure on-business capacity
- Invest for future productivity
- Not business-as-usual
- Prototype with live engagements
7. Conform with standards

Considerations
• IPPF attribute & performance standards
• Code of ethics
• Organisational values & behaviours
• Industry norms & expectations

Why? IA must hold itself to a high bar for professional credibility

Ideas
• Test CSF/SWOT completeness
• Link IPPF with values & norms
• Promote understanding widely
• Boiler plate key documents
Timing

When is a good time to create your internal audit strategic plan?

• Start-up function or new CAE
• Organisational – strategy, structure, leadership – change
• Economic cycle – expansion, boom, recession or bust – change?
Burning platforms

Internal audit challenges:
• Quality and innovation
• Service culture and client-focus
• Cost optimisation and value delivery
• Stakeholder (diverse) management
• Technologically capable
• Business alignment and trust based relationships
• Talent and capability
• Risk focus.

Source: PwC State of the Internal Audit Profession Study
Balancing

- Context
- Relevance
- Horizons
- Feasibility
- Trade-offs

Add Value & Improve Operations

- High Output
- Tailored work that clients want
- Future developments
- Gut-based opinions
- High Quality
- Std audits
- Current state operations
- Evidence-based findings

Balancing • Context • Relevance • Horizons • Feasibility • Trade-offs
Success measures – value chain

Input
- Money
- Talent
- Capacity
- Technology

Process
- Methodology
- Engagement
- Teaming
- Automation

Output
- Quantity
- Productivity
- Timeliness
- Coverage

Outcome
- Improvement
- Client value
- Trust
- Confidence

Efficiency → Effectiveness →
Evolutionary to transformation initiatives

**Easy**
- Streamline reporting
- Assurance map and the three lines of defence
- Deploy controls self-assessment

**Moderate**
- Automate for continuous auditing
- Develop agile internal audit methodology
- Develop capability to support digital strategy

**Tough**
- Define and measure internal audit value
- Develop predictive analytics and use augmented intelligence
- Establish and embed strategic challenge partner role
Recap & key take-outs

- Internal Audit annual plan vs Internal Audit strategic plan
- Cyclical 7-step process for high functional performance
- Context and change dependent
- Needs dedicated resources and prioritising – mini projects
- Sequence interdependent initiatives
- Balance trade-offs and agree with stakeholders
- Distil key measures – focus on outcomes
- **DO IT !**
Q & A

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