

# **123 COMPANY**

## **Internal Audit – Strategic Plan Status Update**

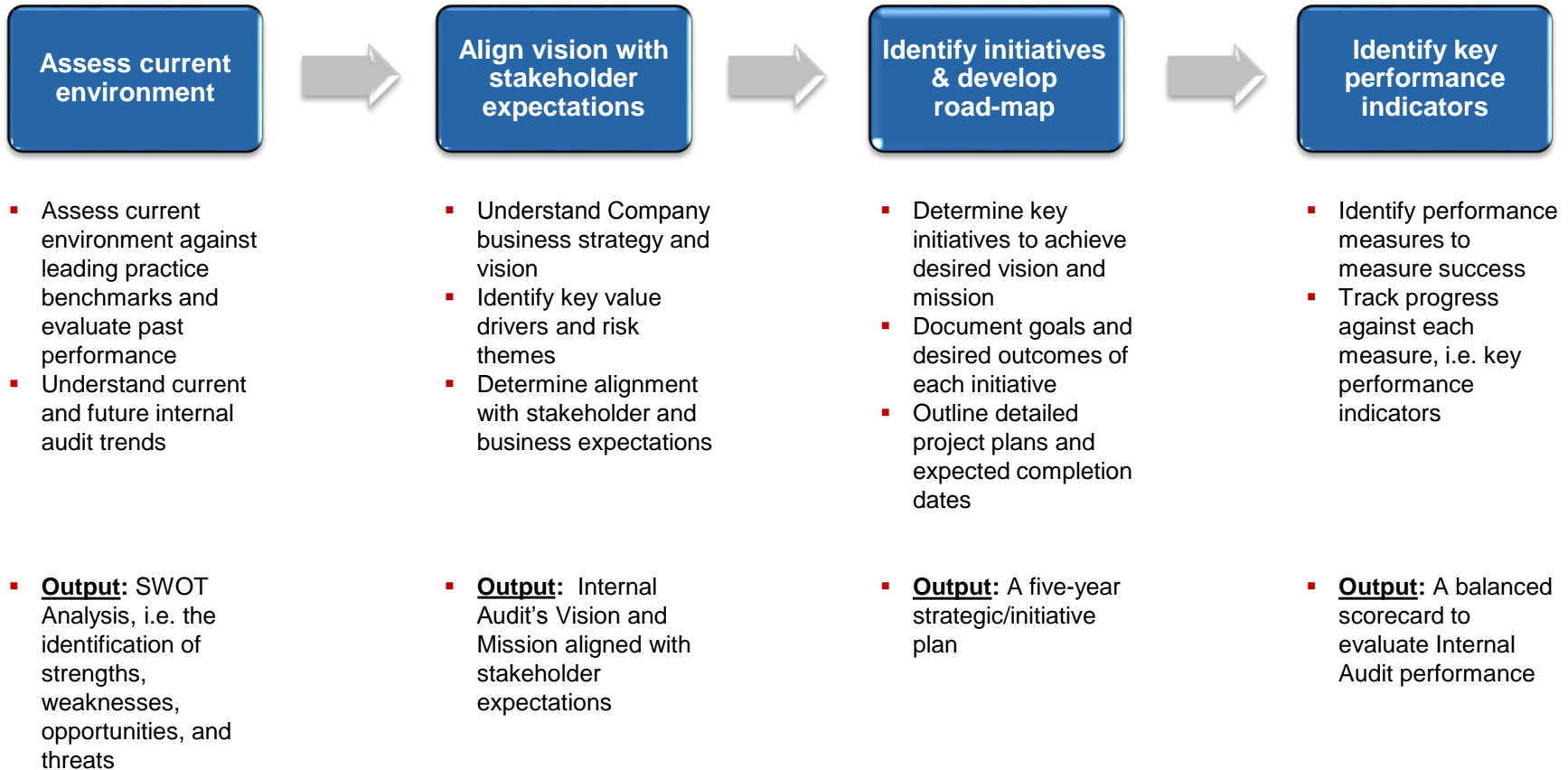
NAME

Vice President of Internal Audit and Compliance

MONTH/YEAR

# Strategic Planning Process

The YEAR Internal Audit Strategic Plan was executed using a four-step approach, as noted below and covered in detail on the following slides.



# SWOT Analysis (Initial Assessment)

The YEAR SWOT Analysis identified several weaknesses, opportunities, and threats, as noted below. See page 7 for an assessment of the current environment.

## Strengths

- None identified on Day-One

## Weaknesses

- Lack of a defined and repeatable Internal Audit methodology
- Lack of communication with key stakeholders
- Lack of involvement of Internal Audit Manager in strategic initiatives
- Lack of collaboration with business process owners
- Limited technology infrastructure
- No consistent and applied use of data analytics and other tools
- No quality assurance and knowledge management processes
- Management cannot determine key risk areas based on current audit reporting
- Non-value added audit reports

## Opportunities

- Evaluate organization structure to assess if heavy co-sourcing meets the needs of management and the department
- Identify skill gaps and training needs of staff
- Develop consistent uses for data mining, analytics, and potentially move to continuous monitoring activities
- Collaboration among risk assurance functions, e.g. Health & Safety, Environmental, etc.

## Threats

- Limited credibility below Internal Audit Manager
- Skill sets not aligned to business risks
- Delayed, late, and cancelled audit projects
- Time consuming risk assessment process, yielding same audit plan year to year

# Key Initiatives: Five-Year Plan

Using results of the SWOT Analysis and the vision and mission of Internal Audit as agreed to via stakeholder discussions, a five-year strategic plan inclusive of key initiatives was developed. The overall objective of the key initiatives is threefold: 1) support Executives and the Audit Committee in achieving their fiduciary responsibilities, 2) be viewed as a strategic business partner and advisor to Management (i.e. flexible and responsive to management requests), and 3) proactively focus on the highest risks facing the Company.

Value Driver	Initiative	Status
Enhance the effectiveness, quality, and value received from Internal Audit.	Formalize the Internal Audit Operating Manual and develop supporting processes and templates to align Internal Audit practices with the Institute of Internal Auditors International Professional Practices Framework.	<b>Complete</b>
	Establish an Internal Audit Quality Assurance Program to facilitate ongoing compliance with the Internal Audit Operating Manual, as well as to track performance metrics.	<b>Complete</b>
	Enhance coordination with and support of the external financial auditors. <i>Reviewed at DATE AC Meeting</i>	<b>Complete</b>
	Commission an external Quality Assessment Review. <i>Target Completion: DATE</i>	Not Started
Impactful reporting to management, with a focus on key risks and critical issues.	Develop a quarterly and annual Audit Committee and Risk Management Committee reporting package to 1) capture current year audit results, 2) share risk trending and leading Internal Audit / risk management practices, and 3) disclose other relevant risk-related matters. <i>Reviewed at DATE AC Meeting</i>	<b>Complete</b>
	Expand Audit Committee reporting to be inclusive of all relevant compliance activities. <i>Reviewed at DATE AC Meeting</i>	<b>Complete</b>
Maintain skilled, knowledgeable Internal Audit staff to assess organizational risk and align resources with the strategic direction of the Company.	Evaluate current staffing level to confirm appropriateness of resource mix (in-house vs. co-source), and identify a co-source partner to supplement existing staff – workload and skill set. <i>Reviewed at DATE AC Meeting</i>	<b>Complete</b>

## Key Initiatives: 5-Year Plan *(continued)*

Value Driver	Initiative	Status
Take a holistic view of risk at the Company.	Formalize the Reliability Standards Compliance Program and governance structure to facilitate consistent application, demonstrate a culture of compliance, and position the Company to more effectively withstand a NERC Reliability Standards compliance audit. <i>Reviewed at DATE AC Mtg</i>	<b>Complete</b>
	Revamp the Ethics and Compliance Program and governance structure to align with the “seven elements of an effective ethics and compliance program,” as defined in the Federal Sentencing Guidelines for Organizations (i.e. compliance standards, high-level responsibility, communication/training/education, monitoring & auditing, reporting & investigation, enforcement & discipline, response & prevention). A strong ethics and compliance program acts as due diligence, i.e. risk mitigation, if/when a regulatory action is taken against the organization. <i>Reviewed at DATE AC Meeting</i>	<b>Complete</b>
	Develop a database of laws and regulations applicable to the Company, and document policies and procedures used by management to facilitate compliance.	<b>Complete</b>
	Complete a design and operational assessment of the policies and procedures related to the database of laws and regulations to confirm effectiveness in facilitating management’s compliance with laws and regulations. <i>Reviewed at DATE AC Meeting</i>	<b>Complete</b>
	Develop a Fraud Risk Management Program and an inventory of company-wide potential fraud schemes for continuous monitoring.	<b>Complete</b>
	Incorporate other assurance/risk functions in the annual Internal Audit risk assessment process, e.g. Health and Safety, Environmental, Corporate Ethics and Compliance, Reliability Standards, etc. <i>Reviewed at DATE AC Meeting</i>	<b>Complete</b>
	Confirm that the Internal Audit Universe is comprehensive, inclusive of IT, financial, operational, and compliance activities. <i>Reviewed at DATE AC Meeting</i>	<b>Complete</b>
	Establish and maintain a robust Enterprise Risk Management Program. <i>Reviewed at DATE AC Meeting</i>	<b>Complete</b>
	Complete an assurance mapping to confirm where, within the Company, all risks are being covered. The objective is to eliminate potential duplication of effort and align assurance activities with subject matter expertise. <i>Target Completion: DATE</i>	<b>Not Started</b>

# Balanced Scorecard

To continuously evaluate Internal Audit's performance and ensure ongoing alignment with stakeholder expectations, a balanced scorecard has been developed. The specifics of the scorecard are noted below.

Quantitative Measures (ALL)	Client Service (ALL)	Industry Knowledge (ALL)
<ul style="list-style-type: none"> <li>▪ Number of audits scheduled/completed</li> <li>▪ Client satisfaction</li> <li>▪ Training hours</li> </ul>	<ul style="list-style-type: none"> <li>▪ Responsiveness to special requests</li> <li>▪ Delivery of high quality service</li> <li>▪ Management of client expectations</li> <li>▪ Building strong client relationships</li> <li>▪ Effective management of project teams</li> </ul>	<ul style="list-style-type: none"> <li>▪ Development of deep industry knowledge</li> <li>▪ Assisting in the development of practice aids or tools</li> <li>▪ Developing and contributing leading practices, emerging issues, and industry trends</li> </ul>
People Development (SUPERVISORS)	Technical Development (ALL)	Innovation (ALL)
<ul style="list-style-type: none"> <li>▪ Coaching</li> <li>▪ Development</li> <li>▪ Mentoring</li> <li>▪ Training</li> <li>▪ Timeliness of performance feedback</li> </ul>	<ul style="list-style-type: none"> <li>▪ Development of relevant technical knowledge:               <ul style="list-style-type: none"> <li>– Internal Audit</li> <li>– Regulatory</li> <li>– Accounting</li> <li>– Technology</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of hours spent in industry or other specialized training</li> <li>▪ Involvement in professional organizations</li> <li>▪ Use of technology</li> </ul>

# SWOT Analysis Status Update

The SWOT Analysis noted below depicts where we are 2 ½ years later. As you can see, we (i.e. Audit Committee and Management) have been successful in addressing the opportunities identified in DATE and are moving down the path of establishing leading practices related to how we work together to more effectively identify and mitigate risks that may impact the achievement of the Company's business objectives.

## Strengths

- Defined and repeatable Internal Audit methodologies aligned with the Institute of Internal Auditors International Professional Practices Framework
- Comprehensive risk assessment process
- Impactful audit reports
- Vision and mission aligned with stakeholder expectations
- Ongoing collaboration with process owners
- Viewed as a strategic business partner and advisor
- Continuous monitoring activities
- Internal Audit has a "seat at the table"
- The right mix of Internal Audit resources (in-house vs. co-source)
- Viewed as a value added function

## Weaknesses

- To be reassessed once in process initiatives are complete.

## Opportunities

- To be reassessed once in process initiatives are complete.

## Threats

- To be reassessed once in process initiatives are complete.

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