



LevelUp ESG Ltd



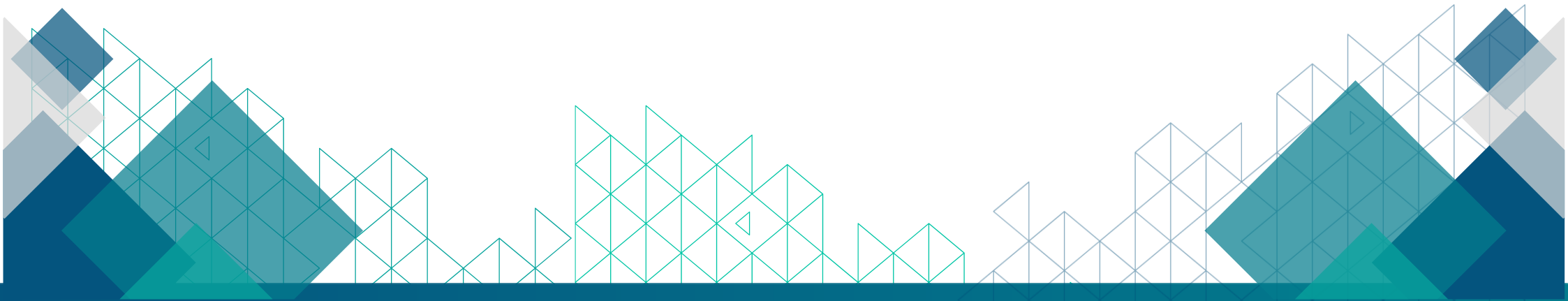
Chartered Institute of  
Internal Auditors



# Developing the Internal Audit Strategy

## *Technical Guide*

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# Introduction

In today's rapidly evolving business landscape, a well-crafted internal audit strategy is more critical than ever. It serves as a compass, guiding the internal audit function through the complexities of emerging risks, shifting stakeholder expectations, and increasing demands for value-added insights. A robust strategy ensures that internal audit remains relevant, adaptive, and aligned with the organisation's overarching objectives, while optimising its resources and maximising its impact on governance, risk management, and internal controls.

This Technical Guidance has been developed to assist internal auditors in meeting the requirements of the Global Internal Audit Standards 2024 Principle 9 which states:

**‘The chief audit executive plans strategically to position the internal audit function to fulfil its mandate and achieve long-term success.’**

It emphasises the pivotal role of the CAE in developing, implementing, and periodically reviewing a comprehensive strategic plan for the internal audit function. It recognises that a well-defined strategy is the cornerstone of an effective and future-ready internal audit function. This Technical Guidance will have a particular focus on Standards 9.2 - Internal Audit Strategy and 9.1 - Understanding Governance, Risk Management and Control Processes.

At its core, an internal audit strategy is a blueprint that articulates the function's long-term goals, strategic objectives, and the key initiatives needed to achieve them. It serves as a roadmap, guiding the function towards fulfilling its purpose and mandate. A sound strategy not only sets the direction for the internal audit function but also communicates its value proposition to key stakeholders, fostering trust, collaboration, and support.

# Introduction

This Technical Guidance outlines the critical steps for developing a comprehensive internal audit strategy. By following this systematic and structured process, you can create a strategy that is **tailored to your organisation's unique context**, aligned with stakeholder expectations, and responsive to the dynamic risk landscape. The guide covers critical aspects such as understanding the organisational context (Standard 9.1), engaging stakeholders (Standard 11.1), assessing current capabilities and future needs (Principle 10), defining strategic objectives, and developing actionable initiatives (Standard 9.2).

Whether you are a seasoned CAE looking to refresh your existing strategy or a newly appointed leader tasked with charting the course for your internal audit function, this guide offers valuable insights and practical tools to support your journey. By leveraging the guidance provided, you can craft a strategy that not only meets the requirements of the Global Internal Audit Standards but also positions your function as a strategic partner, driving value and supporting the organisation's success.

When implementing the strategic plan, it's vital to consider scenarios that may warrant a review. This includes changes in organizational strategy or governance processes, shifts in policies or regulatory requirements, turnover in key leadership positions, and ongoing assessments of the internal audit function's performance, ensuring continuous alignment with organizational goals and evolving standards.

As you embark on this strategic planning process, remember that the most effective strategies are those that are dynamic, flexible, and continuously refined in response to the evolving needs of the organisation. By adopting an adaptive and iterative approach, you can ensure that your internal audit strategy remains relevant, responsive, and future-ready, enabling your function to navigate the challenges and seize the opportunities that lie ahead.

# Introduction

This guide is designed to assist CAEs and their teams in developing Internal audit strategy aligned with the Global Internal Audit Standards (GIAS). It provides practical tools, frameworks, and considerations to enhance the strategic planning process for internal audit functions.

The guide starts by outlining the Internal Audit Strategy Process, and listing the key steps to develop an internal audit strategy.

Structured to support each phase of strategy development, this guide includes sections on strategy frameworks, stakeholder analysis, maturity assessment, concise strategy communication, action planning, and performance metrics. Throughout, we highlight alignments with GIAS principles and standards, ensuring that following this guide supports overall conformance while positioning internal audit functions to deliver maximum value to their organisations.

# Professional Standards Requirements

## Global Internal Audit Standards

### Principle 9: Plan Strategically

“The chief audit executive plans strategically to position the internal audit function to fulfil its mandate and achieve long-term success.”

### Standard 9.2 Internal Audit Strategy

“The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.

An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfillment of the internal audit mandate, including opportunities for internal auditors to develop their competencies, integrating technology for enhanced efficiency and effectiveness, and implementing initiatives to improve the internal audit function as a whole.

The chief audit executive must review the internal audit strategy with the board and senior management periodically.”

# Overall Process Flow for Developing Internal Audit Strategy

## Step 1: [Organizational Alignment](#)

(Standard 9.1: Understanding Governance, Risk Management, and Control Processes)

- It is important to gain a thorough understanding of the organisation's purpose, objectives, plans, and KPIs.
- This involves reviewing strategic documents with leadership, attending planning sessions to understand decision-making processes, and documenting insights through notes and reports. By aligning our work with the organisation's direction and priorities, we can effectively support its success.

## Step 2: [Stakeholder Engagement](#)

(Standard 11.1: Building Relationships and Communicating with Stakeholders)

- Capture stakeholder expectations through various sources.
- Create a stakeholder map, including external and internal stakeholders.
- List stakeholder expectations for each group.
- Develop a communication plan to keep stakeholders informed and engaged.

## Step 3: [Internal Audit Maturity Analysis](#)

(Standard 12.1: Internal Quality Assessment)

- Assess the current maturity level of your internal audit function.
- Use the insights from the maturity analysis to prioritize capability development initiatives and investments.

## Step 4: [Skills, Competencies, Resources, and Capabilities Analysis](#)

(Standard 10.2: Human Resources Management)

- Assess the current skills, competencies, resources, and capabilities of your internal audit team.
- Identify gaps and areas for improvements.
- Develop a plan to address gaps and enhance capabilities.

## Step 5: [Innovation, Analytics, and Technology](#)

(Standard 10.3: Technological Resources)

- Plan and prepare to leverage innovation, analytics, and technology in your internal audit function.
- Consider how these elements can be embedded into the audit lifecycle to enable more efficient and effective assurance.

## Step 6: [Critical Success Factors and Initiatives Mapping](#)

(Standard 9.2: Internal Audit Strategy)

- Identify critical success factors for the internal audit function.
- Map initiatives to support the achievement of these success factors.

## Step 7: [Strategic Road Map and Implementation](#)

(Standard 9.2: Internal Audit Strategy)

- Create a strategic road map outlining the key initiatives and milestones for the internal audit function.
- Consider short-term, medium-term, and long-term goals.

## Step 8: [Measuring Performance](#)

(Standard 12.2: Performance Measurement)

- Develop a framework for measuring the performance and impact of your function.
- Identify key metrics and performance indicators aligned with the internal audit strategy and the expectations of key stakeholders.

# The key steps to develop an internal audit strategy

With a clear understanding of the importance of internal audit strategy, let's explore the step-by-step process of developing and implementing a robust strategy that aligns with GIAS requirements and organisational needs.

## **Organisational Alignment**

Begin by gaining a thorough understanding of how the organisation's purpose, strategic objectives, business plans, and key performance indicators are developed and what they are. This can be achieved through meeting the Essential Requirements in Standard 8.1 for both the Audit Committee and Senior Management by reviewing and discussing with the Audit Committee and Senior Management the organisation's strategic plan, business plans, and other relevant documents to understand their perspectives. However, attending organisation strategic planning sessions and meetings to gain insights into the decision-making process and the factors considered can also be of great value to gain wider perspectives.

The chief audit executive (CAE) should document this understanding in the form of meeting notes, summaries, or reports, which will serve as a foundation for aligning the internal audit strategy with the organisation's goals.

## **Industry Analysis**

Research and analyse relevant industry trends, emerging risks, and best practices. This external perspective helps identify potential opportunities and threats that may impact the internal audit function and the organisation as a whole.



# The key steps to develop an internal audit strategy

## Stakeholder Engagement

Standard 9.2 and Principle 11 requirement

*Tool 2 demonstrates how an internal audit stakeholder analysis can be conducted and documented.*

- **Stakeholder Identification:** Identify key internal and external stakeholders who have an interest in or influence over the internal audit function. This typically includes the board, audit committee, senior management, regulators, and external auditors.
- **Expectations Gathering:** Engage with identified stakeholders through interviews, surveys, or workshops to understand their expectations and perceptions of the internal audit function. This feedback is crucial in shaping the strategic direction and priorities of the function.
- **Alignment and Communication:** Assess stakeholder expectations against the organisation's objectives and the internal audit function's capabilities. Develop a communication plan to keep stakeholders informed and engaged throughout the strategy development and implementation process.

With stakeholder expectations clearly defined, we can now assess the current state of the internal audit function to identify areas for strategic improvement.

# The key steps to develop an internal audit strategy

## Defining the Purpose, Vision, and Mission

Standard 9.2 requirement

*Tool 2 provides guidance on crafting the internal audit function's vision, mission, and purpose statements.*

- **Purpose:** Clearly articulate the core reason for the internal audit function's existence within the organisation. This purpose statement should align with the organisation's purpose and the expectations of key stakeholders.
- **Vision:** Define the desired future state of the internal audit function. The vision should be aspirational yet achievable and should reflect the function's long-term ambitions and the value it seeks to deliver.
- **Mission:** Develop a concise statement that outlines the internal audit function's primary activities and how it will achieve its vision.

# The key steps to develop an internal audit strategy

## Assessing Current State and Maturity

### Standard 9.2 considerations

*Tool 3 provides 'SWOT analysis' template and example that can be used to assess the internal and external factors that impact the internal audit function's ability to achieve its objectives.*

*Tool 4 provides Internal Audit Maturity Analysis framework.*

- **SWOT Analysis:** Conduct a comprehensive assessment of the internal audit function's strengths, weaknesses, opportunities, and threats (SWOT). This analysis provides valuable insights into the function's current capabilities and areas for improvement.
- **Maturity Assessment:** Evaluate the current maturity level of the internal audit function using a recognised framework, such as the Internal Audit Ambition Model. This assessment helps identify gaps between the current state and the desired future state, informing the development of strategic initiatives.

# The key steps to develop an internal audit strategy

## Capability and Resource Planning

Standard 9.2 considerations and Principle 10 requirement

*Tool 5 provides a tool and example of how to assess the skills, competencies, resources, and capabilities required for the internal audit function to effectively execute its strategy.*

*Tool 6 offers a framework to create a concise overview of the internal audit function's strategy for leveraging innovation, analytics, and technology.*

- **Skills and Competencies:** Assess the current skills and competencies of the internal audit team against the requirements of the internal audit strategy. Identify gaps and develop a plan to acquire or develop the necessary capabilities through training, recruitment, or outsourcing.
- **Technology and Tools:** Evaluate the function's current technology and tools landscape. Identify opportunities to leverage advanced analytics, automation, and other emerging technologies to enhance the efficiency and effectiveness of internal audit engagements.
- **Resource Allocation:** Determine the optimal mix of resources (e.g., in-house, co-sourced, outsourced) required to execute the internal audit strategy effectively. Develop a business case for any additional resources needed, aligned with the organisation's budgeting process.

# The key steps to develop an internal audit strategy

## Defining Strategic Objectives and Initiatives

Standard 9.2 requirement

*Tool 7 shows how to map critical success factors (CSFs) to specific initiatives and elements of the SWOT analysis. Tool 8 provides a template for creating a visual roadmap of the internal audit strategy implementation.*

*Tool 9 offers a selection of metrics that can be used to measure the performance and impact of the internal audit function.*

- **Strategic Objectives:** Based on the insights gathered from the previous steps, define clear and measurable strategic objectives for the internal audit function. These objectives should be aligned with the function's purpose, vision, and mission, and should contribute to the achievement of the organisation's goals.
- **Key Initiatives:** Identify and prioritise the key initiatives or projects that will enable the internal audit function to achieve its strategic objectives. These initiatives should be specific, actionable, and time-bound, with clear ownership and accountability.
- **Performance Metrics:** Develop a balanced set of key performance indicators (KPIs) to measure the progress and success of each strategic initiative. These metrics should be aligned with the function's critical success factors and stakeholder expectations.

# The key steps to develop an internal audit strategy

## Defining Strategic Objectives and Initiatives

### Standard 9.2 requirement

It is important to note that while performance metrics are not explicitly mentioned in Principle 9, they are covered in Principles 8 and 12 of the Global Internal Audit Standards. Principle 8 emphasises the board's oversight role in ensuring the effectiveness of the internal audit activity, while Principle 12 focuses on enhancing the quality of internal audit services to meet stakeholder expectations and achieve the function's mission. Incorporating performance metrics in the internal audit strategy ensures that the function can effectively measure its performance, identify areas for improvement, and communicate its value to stakeholders.

## Implementation and Monitoring

- **Action Planning:** Develop detailed action plans for each strategic initiative, outlining the key milestones, timelines, and resources required. Assign clear roles and responsibilities for execution and monitoring.
- **Communication and Change Management:** Communicate the internal audit strategy and its implications to all relevant stakeholders. Engage the internal audit team and key stakeholders throughout the implementation process to build buy-in and manage change effectively.
- **Monitoring and Review:** Establish a regular cadence for monitoring the progress of the internal audit strategy implementation. Review the strategy periodically with the board and senior management to ensure it remains relevant and responsive to changes in the organisation's risk landscape and priorities.

# The key steps to develop an internal audit strategy

Developing a robust internal audit strategy is essential for ensuring the function remains relevant and aligned with the organisation's objectives. By following the systematic approach outlined in this Practice Guide, internal audit leaders can create a forward-looking strategy that optimises the function's value delivery and supports the organisation's success. Regular review and update of the strategy will ensure its continued effectiveness in the face of evolving stakeholder expectations and business needs.

The following section provides a curated selection of examples, tools, and frameworks to support your strategic analysis and strategy development process. These resources are designed to offer practical guidance and inspiration as you craft a tailored internal audit strategy that aligns with your organisation's unique context and objectives.

It is important to recognise that while these tools and frameworks serve as valuable starting points, they should be adapted and customised to best fit the specific needs, maturity level, and culture of your internal audit function and the broader organisation it serves. The most effective strategies are those that are bespoke, reflecting a deep understanding of the organisation's risk landscape, stakeholder expectations, and strategic priorities.

# The key steps to develop an internal audit strategy

## As you explore these resources, consider the following guiding principles:

- **Relevance:** Select tools and frameworks that are most pertinent to your function's current challenges and future aspirations. Focus on those that align with your identified strategic objectives and key initiatives.
- **Adaptability:** View these resources as flexible templates rather than rigid prescriptions. Modify the elements, criteria, and language to ensure they resonate with your stakeholders and reflect your organisation's unique characteristics.
- **Engagement:** Use these tools and frameworks as conversation starters and collaboration aids. Engage your team members and key stakeholders in the process of adapting and applying them to foster shared ownership and commitment to the resulting strategy.
- **Iteration:** Recognise that strategy development is an iterative process. As you apply these tools and frameworks, be open to refining and adjusting your approach based on the insights and feedback you receive.



# Final Note

By leveraging these tools as part of the internal audit strategy development process, internal audit teams can ensure that their strategy is comprehensive, well-informed, and aligned with the unique needs and context of their organisation. The tools provide practical tools and frameworks for analyzing stakeholders, assessing capabilities, setting strategic objectives, and measuring performance, ultimately enabling the internal audit function to maximize its value and contribute to the success of the organisation.

This technical guide offers a structured approach to crafting an internal audit strategy that is both robust and adaptable. By following the steps outlined and utilizing the provided resources, internal audit functions can:

1. Clearly articulate their purpose, vision, and mission
2. Gain deep insights into stakeholder expectations and organizational priorities
3. Assess their current maturity and identify areas for growth
4. Develop strategic objectives that drive meaningful impact
5. Create actionable initiatives to achieve those objectives
6. Implement performance metrics that demonstrate value

Remember that strategy development is an iterative process. Regularly review and refine your approach to ensure it remains relevant and responsive to evolving organizational needs and risk landscapes. By maintaining a strategic focus, internal audit can elevate its role from assurance provider to trusted advisor, driving innovation and supporting long-term organisational success.

# About Us



## About the author

Dr. Ahmed Shawky Mohammed is the Managing Director of LevelUp ESG Ltd and a member of the Global Committee of Research and Education Advisors for the Global Foundation for Internal Audit. A Sloan Fellow of London Business School in Leadership and Strategy, Dr. Ahmed holds a Doctor of Business focused on Mitigating Greenwashing from Durham University, UK. He holds an MBA from Manchester Business School and is an alumnus of Harvard Business School's Executive Leadership program. Dr. Ahmed is a Certified Internal Auditor (CIA) and Technical Committee member of the ESG Exchange.

## About LevelUp ESG Ltd

LevelUp ESG Ltd is a leading London-based sustainability consultancy specialising in data management, performance improvement, and assurance. Their intelligent platform and data science empower business to gain control over their sustainability data, decarbonise and reach their net-zero and ESG goals. For more information, visit [www.levelupesg.co](http://www.levelupesg.co)



# About Us



## About the Chartered Institute of Internal Auditors

The Chartered Institute of Internal Auditors is the voice of the internal audit profession. We are the only professional body dedicated exclusively to raising the profile of the vital work of internal auditors in the UK and Ireland.

We champion and promote the valuable contribution our members make to good corporate governance, strong risk management and a rigorous internal control environment. This important work ensures the long-term success of organisations. By playing a key role in supporting boards and senior management in identifying, managing, and mitigating their major risks effectively, internal audit help to protect the assets, reputation and sustainability of organisations. In turn they protect jobs, investments, and growth across all sectors of our economy.

We are dedicated to supporting, educating, training, developing, promoting, and advocating for the internal audit profession. Our ability to award Chartered status through our Royal Charter is the benchmark for leadership in internal audit and recognises an internal auditor's commitment to excellence by meeting the profession's rigorous requirements and international standards.

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