

# THE INSTITUTE OF INTERNAL AUDITORS

9/18/2012

North American Strategic Planning Document

# The Institute of Internal Auditors

## NORTH AMERICAN STRATEGIC PLANNING DOCUMENT

### Overview

On June 24, 2011, a strategic planning group consisting of Board members and senior staff of *The Institute of Internal Auditors* (The IIA) met to update its long-range strategic direction. Bud Crouch, a principal partner of Tecker Consultants, LLC and president of Innovations Plus led the group through the planning process.

This planning document defines The IIA's clear strategic direction. It is the planning group's consensus on what will constitute the Organization's future success. It answers the following two fundamental strategic questions:

1. Why will The IIA exist in the future? *Its reason for being and core purpose.*
2. Where is The IIA going? *Its future direction and goals.*

#### **Planning Strategically:**

The existence of this strategic direction and its successful implementation signals the leadership team's desire to lead The IIA strategically. Developing a strategic direction is not a one-time event, but an ongoing commitment and process. The strategic direction represents a compass that will be used to guide and focus The IIA's future strategic decision-making and ongoing operational work.

#### **Strategic Focus:**

Organizational strategic focus or intent is very important. One of the challenges that facing The IIA is the fact that there is more it can do than it has resources to accomplish. The temptation to do everything can lead an organization to try to be all things to all people. Planning strategically is the counter to the all-things syndrome. It is about identifying a limited number of goals that The IIA must undertake to move successfully into the future.

#### **Strategic Approach/Philosophy:**

The approach in defining the new strategic direction was not to identify what The IIA wants to continue doing today (its current operational plan). Rather, the team determined what the organization is not doing today, but must engage in to be successful in the future.

This strategic direction is not about business as usual — *it is about the change needed to stay relevant!* This separates the strategic plan from the operational plan. Both are important. The strategic direction is a constant reminder, as the leadership team oversees the development of the annual operational plan, of what must be changed to stay relevant to what member are seeing in their real world.

#### **Updating the Strategic Plan:**

A strategic plan can only stay current and relevant if The IIA insures that the plan is updated. It is the leadership team's **working document**. Therefore, the governing body has both the right and the responsibility to

- Change the strategic plan anytime it needs to be changed based on sound reasoning and assessment
- Update the plan regularly on an ongoing basis

## Strategic 3 to 5 Year Goals

The following represents The IIA's goals that encompass its three- to five-year direction. These goals are outcome-oriented statements that lead The IIA towards its envisioned future. These goals are not in any order of priority. All of the goals will need to be accomplished, if The IIA is to fully achieve its three to five-year quest.

### Goal A:

The IIA will be an indispensable resource for our members and chapters.

### Goal B:

The IIA will enhance the image of the internal audit profession by being recognized by U.S. regulators and legislators as a credible, objective voice for the internal audit profession, and increasing awareness and perceived value to management and boards.

### Goal C:

The IIA will proactively recruit, encourage and assist in developing a diverse cross-section of its membership in leadership roles at the board and committee level.

### Goal D:

The IIA will be the preferred resource for government sector auditors.

### Goal E:

The IIA will be financially secure and stable in order to meet its mission and carry out its strategic goals.

## Prioritizing Goals & Strategies

Strategies indicate how The IIA will organize, focus, and expend its resources and actions to maximize its effectiveness and efficiency in achieving its three to five year goals. The strategies must be reviewed and updated on an annual basis.

The strategies were rated in importance of when they should be undertaken (implementation timing). The three ratings include:

- High:** Work on this strategy must be undertaken in the next program/fiscal year.
- Medium:** Work on this strategy should be undertaken in the next program/fiscal year if at all possible.
- Low:** Work on this strategy can wait until a subsequent program/fiscal year if necessary.

Indicators of Achievement are used to determine the overall progress toward a goal. They indicate how close The IIA is to achieving a goal as it executes the individual strategies for each goal. The indicators of achievement measure goal achievement, not strategy achievement.

## Goal A:

The IIA will be an indispensable resource for our members and chapters.

### Strategies:

- A1. **(High)** Provide oversight and direction to CRCNA and use information to know what the needs of our chapters are (MVP2013).
- A2. **(High)** Deliver timely and relevant Learning Solutions strategy (knowing audiences/ soliciting needs).
- A3. **(High)** Enhance communication to/from chapters through technology solutions.
- A4. **(Medium)** Develop and implement promotional strategies to attract and convey values to members.
- A5. Invest in learning solutions at low-cost or free to provide value for small audit shops.
- A6. Create greater awareness of IIA among chapters and members.

### Indicators of Achievement (Metrics) in 2013:

An increase in:

- Membership strength as reflected by achieving a total North American membership count of 73,500 and an increase in the retention rate to 86%.
- Learning Solutions success as measured by growth in the number of people trained and the net contribution produced by the major product lines.
- Member satisfaction with IIA services improves, as measured by satisfaction scores on quarterly member surveys of the various program areas including training, networking and information sharing, professional practices and certifications.

## Goal B:

The IIA will enhance the image of the internal audit profession by being recognized by U.S. regulators and legislators as a credible, objective voice for the internal audit profession, and increasing awareness and perceived value to management and boards.

### Strategies:

- B1. **(High)** Develop customer satisfaction model for audit committees and management (voice of customer).
- B2. **(High)** Develop new ways of communicating directly with key stakeholders (exec leadership and audit committee members).
- B3. **(Medium)** Develop a tool kit for CAEs to use to communicate to boards.
- B4. **(Medium)** Leverage Big 4 network and contacts or other organizations (e.g., Tapestry network of audit committee members).
- B5. Reach out to large professional search firms to influence understanding of Internal Audit.
- B6. Encourage CAEs to sign up Audit Committee members as members (develop an AC network).
- B7. Advocate standards and sound professional practices.
- B8. **(High)** Define messages/outcomes that constitute the IIA's policy agenda.
- B9. **(High)** Validate key advocacy targets (regulatory and statutory bodies).
- B10. **(Medium)** Identify and cultivate key relationships in advocacy targets.
- B11. **(Medium)** Deploy staff/volunteer/lobbying resources to advocate/influence policymakers.
- B12. **(Low)** Validate results and refine strategy.
- B13. **(Medium)** Build relationships through opportunities to bring in key individuals from regulatory agencies (e.g., speaker at conference).

### Indicators of Achievement (Metrics) for 2013:

An increase in:

- Averaging one or more trips to D.C. monthly for meaningful interactions with targeted legislators, regulators and key staff increasing their understanding of how and where the IIA can provide support on legislative and/or regulatory issues. Success will be measured by 18 or more visits between 7/2012 and 12/2013.
- Train at least 5 IIA volunteers to develop relations with specific advocacy targets by 12/2013.
- Identify publications that are directed to stakeholder groups (boards, audit committees, executives, regulators, legislators) and develop articles or advertising for those publications. By 12/2013, achieve at least 4 placements in targeted publications.
- Perform a baseline survey of specific advocacy targets by 12/2013 with a follow-up survey by 12/2014, showing improvement in the understanding and appreciation of internal audit (% improvement would be established after baseline is captured).

### Goal C:

The IIA will proactively recruit, encourage and assist in developing a diverse cross-section of its membership in leadership roles at the board and committee level.

### Indicators of Achievement (Metrics) for 2013:

An increase in:

- Increase total number of women in IIA NA volunteer positions from 47 to 60 by 12/31/13, representing a 10 percent increase of total current participation.
- Increase total racial diversity in IIA NA volunteer positions from 5 to 15 by 12/31/13, representing an 8 percent increase of total current participation.
- Hold 4 diversity receptions or workshops to build awareness and expand outreach.
- Develop an IIA mentoring program plan for talented and emerging executive leaders.

### Goal D:

The IIA will be the preferred resource for government sector auditors.

### Strategies:

- D1. **(High)** Create a government audit institute (center) within the IIA.
- D2. **(High)** Develop an outreach strategy to understand why government auditors are not engaged (hire survey consultant).
- D3. **(Medium)** Enhance CGAP through open grandfathering period base on experience nature of work.
- D4. **(Medium)** Conduct regional benchmarking and best practices sessions.
- D5. **(Medium)** Have a government component with the Audit Executive Center.
- D6. **(Low)** Elevate the quality of government audit training.

### Indicators of Achievement (Metrics) for 2013:

An increase in:

- Membership strength as reflected by a 3% growth in government auditor members in The IIA from 12/31/12 to 12/31/13 and a retention rate of 90% by 12/31/13.
- Establish a comprehensive ACGA website by 12/31/13.
- Member satisfaction with IIA government auditor services improves, as measured by satisfaction scores on quarterly member surveys of the various program areas including awareness of IIA offerings for government auditors, cost effective training, networking and information sharing, and professional practices.

## Goal E:

IIA will be financially secure and stable in order to meet its mission and carry out its strategic goals.

### Strategies:

- E1. **(High)** Continue a long-term dues strategy that can support the core services and new initiatives of the organization.
- E2. **(Medium)** Educate and assist management and volunteers on how to cost and report cost of new initiatives.
- E3. **(Low)** Educate chapter leaders on financial matters to maximize return and provide proper cash management.
- E4. **(Low)** Set up separate reserves for NA and report minimum reserves on a more periodic basis.
- E5. **(Low)** Reevaluate chapter allotment strategy.

### Indicators of Achievement (Metrics) for 2013:

An increase in:

- Member dues covers core services and builds reserves for strategic initiatives, including contingency planning, as measured by a bottom-line positive net contribution meeting budget expectations.
- Improve productivity or financial health ratios (develop 2-3 key ones that should identify success for the board/management).

# External Assumptions

The respondents identified the following assumptions about the most significant, future (two to seven years) external conditions, trends and major forces, etc. that they believe will impact the profession (five years — the future environment of internal audit professionals throughout North America).

## Economic

1. Adverse economic conditions and impact on staffing.
2. Financial and economic challenges.
3. Continued economic challenges/unemployment (and their impact on travel/professional development budgets).
4. Macroeconomic environment may continue to be challenging...requiring audit departments to focus on expenses while at the same time adding value to their companies.

## Stakeholders

5. Internal auditors being undervalued by stakeholders.
6. Ability to stay relevant to our stakeholders.
7. Increasing expectations for IA to support/serve stakeholders vs. internal management. This addresses issues like issuing opinions, regulation, or laws requiring IA or IA opinions.

## Members

8. Changes in the demographics of both current and potential members.
9. Aging work force (brain drain).
10. The shortage of new hire candidates.

## Education

11. Continued expansion of rotation programs, especially involving CAEs, which mean practitioners have less commitment to the profession and less competency.
12. Inability of many IA shops to deliver what they promise in regards to quality of work and insight.
13. Lack of internal audit course sessions in college curriculum.

## Regulations

14. Global IIA strategy pushing IA into the regulatory arena.
15. The clarification of roles between the Chief Risk Officer and CAE. Reporting relationship and potential to "downgrade" internal audit's role at the executive table.
16. Regulation challenges.
17. New government regulations.

## Other

18. Effectively managing risk in an ever-changing environment.
19. Continuing advances in technology will require auditors to keep up with attendant risks as well as opportunities (data mining).

# Mega Issues

Mega issues are overriding issues of strategic importance that cut across multiple goal or outcome areas. They address key strategic questions that the organization must answer, illuminating choices that the organization must make and challenges that need to be overcome to better serve its members, fulfill its purpose or mission and to successfully move into the future. The respondents identified The IIA's future mega issues in North America.

## Branding/Awareness

1. How does the North American Board gain brand awareness and recognition?
2. How do we stay relevant for our membership? What changes do we need to make in our educational services delivery?
3. How do we best educate our IA stakeholders on the value of having an effective IA function?
4. How do we 'up our game' and how do we gain more eminence?
5. How does the IIA become recognized as the pre-eminent internal audit thought leader?

## Structure

6. How do we ensure the infrastructure of our organization is adequate for the next xx years?
7. How do we re-evaluated and adjust the independence and governance structure of the NAB, i.e. budget accountability, etc.?
8. Are the IIAs mission, goals and policies in sync with stakeholder (i.e. audit committee, external auditors, shareholders, executive management) expectations?

## Advocacy

9. How do we continue advocacy and certification promotion?

## Practitioners

10. How can we ensure IA practitioners deliver the quality they promise?
11. How can we ensure IA practitioners stay focused on high-risk areas of their organizations?
12. How do we equip practitioners to stay objective and independent in the face of resistance from management?
13. How do we raise the level and consistency of performance of IA practitioners?

## Members and the Profession

14. How do we ensure we understand and are meeting and serving our members needs?
15. How do we encourage accounting and other business professionals to seek a career in internal audit?
16. What are the best approaches for recruiting and developing top-notch audit professionals in today's business environment?
17. How does the IIA demonstrate value to members?



## Core Values

Participants were asked to identify core values for IIA in the Pre-Session Survey. However, they did not work on them during the session. They suggested the following core values:

1. Create an environment of trust with our colleagues and those we serve.
2. Hold ourselves and each other accountable for practicing our values.
3. Communicate frequently, honestly and openly.
4. An IA standard setter and an IA standard enforcer.
5. Timely responsiveness to the needs of our members; proactive advocacy and support of key objectives and concerns; unified response to proposed regulations that might impact members.
6. Promoting objectivity and integrity.
7. Enabling highest quality of insight and assurance.
8. Serving those in the profession.
9. Advocate the value of IA excellence.
10. High ethical standards; role model ethics.
11. Deep and clear understanding of business strategies, plans and objectives.
12. Focus on enabling organizational success.
13. Integrity.
14. Pursuit of the highest standards of professional conduct and service to stakeholders.
15. Proactive in our views of risk management, governance, and control with our stakeholders.
16. Service to members, advocacy of the profession, delivery of quality training and professional resources, and a member first philosophy.
17. Maintain the highest integrity and ethical standards.
18. Always strive for excellence.
19. Lead by example.
20. Enable ordinary people to do extraordinary things.
21. Value diversity in membership.
22. Develop training programs that cross industry lines.
23. Promote sharing of ideas and professionalism throughout the North American membership. Many of the other core values noted above are also worthy of consideration.

## Big Audacious Goal

Participants were asked to identify a big audacious goal (B.A.G.) in the Pre-Session Survey. However, they did not work on this during the session. They suggested the following B.A.G. for IIA.

1. Every internal auditor in the US will become an IIA member.
2. Make the North American CAEs a member of each of their organizations senior leadership team, at the C level.
3. Become THE leading source of education for internal auditors in North America; lobby for mandated independent internal audit functions within all organizations meeting criteria x; Increase internal audit department QAR compliance/participation to 100%.
4. IIA will be recognized as the thought leader for the IA profession - Audit Committee demand adherence to the IPPF.
5. The one we had was to enable the internal audit to be recognized universally as a profession. Not sure that's still where we want to focus. In NA, we could focus on reaching the masses of auditors who are not members.
6. Every organization that should reasonably be expected to have an Internal Audit function would have one and would fund it to the highest possible level.
7. That we provide a value added experience to every member in North America either through headquarters delivery of service or at the Chapter level (ensure we meet all member needs since the majority do not participate and are not involved).
8. Become the foremost expert in business process improvement and risk management to maximize profitability.
9. The IIA will be the go-to-first- organization for internal audit thought leadership, training, professional development, and networking.

## Reshaping

Based on the trends in the external environment and the strategic challenges facing The IIA, the participants identified key areas where The IIA will need to reshape itself to be successful over the next five years.

### Comments:

1. Expand emphasis on advocacy, i.e. advocacy to all stakeholder groups.
2. Continue to invest in and to improve the Advocacy function.
3. Continue to improve and increase the long-term stability of NA financial resources.
4. Thought leadership, especially targeted at CAEs - ramp up advocacy - improve training offerings.
5. Either different mode of Standards so that practitioners serving the 'external stakeholders' have more to fall back on if there is a reliance issue (e.g. today, the standards are principles and if we tried to use them to provide external assurance, the underlying evidence/support would vary co to co, and nothing that says this is the 'minimum required' to back up an individual CAE. Or, we need to stop pursuing legislation, regulation, etc.
6. Raising the bar on the perception of our members to stakeholders. Being a leader in advocacy for internal audit, risk management, governance, and internal control.
7. Enhance advocacy efforts and ensure the audit executive center, expanded services to government professionals and small audit shops understand what members need and provide the services needed to keep them engaged.
8. Transition from auditor to accomplished consultant and process improvement expert.
9. Training and service offerings need to be market competitive and relevant to the membership, especially in a time of changing professional demands and tightened budgets.