Building a Strategic Internal Audit Function

A 10-Step Framework
Ten steps to a strategically focused internal audit function

With passage of the Sarbanes-Oxley Act and the push for exchange-listed companies to have internal audit functions, the need for strong risk management and internal control monitoring has never been greater.
Ten Steps to Success

When designing an internal audit function, strategy must drive tactics, not the inverse. Too often, the start-up is in response to an immediate tactical need. In a rush to implement a response, key strategic issues can be overlooked. The result can be a tactical internal audit function in search of a strategy.

To help companies design and implement a strategically focused internal audit function, PricewaterhouseCoopers developed a 10-step start-up framework. This framework is proven through PricewaterhouseCoopers’ work with companies of all sizes. Steps 1–4 focus on strategic issues, while Steps 5–10 focus on equally important, but more tactical considerations.

While the 10 steps build on one another, they are not entirely linear in their application. There is no reason every element of the framework must be fully developed before beginning fieldwork. Moreover, communication, Step 9 in the framework, must be effective throughout the start-up process.

Effective use of the framework will help you develop your strategies and implement the right tactics to ensure your success.

Internal Audit Start-up Framework
Steps 1–4: Create a Strategic Foundation for Success

Internal audit function contributes to better governance when it operates within a strategic framework established by the audit committee and senior management (primary stakeholders) and addresses enterprise-wide risk and control issues. Once this strategic framework is in place, your company will be well positioned to define the mission, organisational structure, resource model, working practices and communications protocols for your internal audit function.

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A common pitfall is to begin with tactical implementation without a strategic framework. Failure to establish clear value expectations and a disciplined approach to achieving them can result in unnecessary delays and costs.

Define Stakeholder Expectations

To create an effective internal audit function, internal audit’s primary stakeholders must determine how the function will deliver the desired value. Through this process stakeholders should define specified outcomes or “value drivers” expected of the new function.

Common internal audit value drivers include:
- Risk management and control assurance
- Assessment of internal control effectiveness and efficiency
- Regulatory and corporate compliance assurance
- Sarbanes-Oxley Act readiness assessment and ongoing testing
- Ability to respond to urgent events
- Return of value from the internal audit investment
- Fostering awareness of risk and control across the organisation
- Consultative business partnering to address complex issues
- Source of management talent and development
- Effective management of audit fees through coordination with the external auditing firm

Your organisation is ready to move to Step 2 when you can articulate how your key stakeholders expect the new internal audit function to deliver value.

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Once the function is established, stakeholder expectations should be reassessed on a regular basis.
Articulate the Mission

Once specific value drivers are defined, your company’s chief audit executive (CAE) should work with senior management and the audit committee to articulate the mission for internal audit. A formal mission statement or charter lays out the function’s goals and provides the basis to evaluate internal audit performance.

An effective mission statement delineates the function’s authority and responsibilities and reflects the priorities of senior management and the audit committee. Although they vary in length and specificity, mission statements ought to address the degree to which the internal audit function will allocate resources toward traditional assurance-focused internal control activities vs. consulting activities perceived to add value to lines of business.

A mission statement that does not align clearly and directly with stakeholder expectations is of little value and can be a detriment to achieving strategic performance. The Internal Audit Continuum™ below depicts how internal audit’s focus and skill sets must evolve as stakeholder expectations change.

The Internal Audit Continuum™
When stakeholders seek value protection and internal control assurance, internal audit's skill sets must reflect best-in-class capabilities in core financial and compliance auditing. As stakeholder needs evolve, internal audit is often called upon to do more to create value through operational improvement. Delivering operational improvement typically requires a portfolio of skill sets that build on core internal audit competencies to include risk management and consultative capabilities.

There are no right or wrong answers regarding a company’s choice of functional focus for its internal audit department. Where stakeholders choose to position the function on the Internal Audit Continuum is a direct reflection of their risk appetite and corresponding assurance needs as expressed in the mission statement.

The mission statement must be tailored to the organisation and the value drivers identified in Step 1 of the framework. Too often, organisations fail to address this key linkage, simply adopting preconceived mission statements from other entities or internal audit departments.

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A mission statement must be shared and communicated to achieve full understanding and buy-in among key stakeholders and staff.

“Too often, organisations fail to link the mission statement directly to stakeholder value drivers, simply adopting preconceived mission statements from other entities or internal audit departments.”
Develop a Formal Strategic Plan

A strategic plan helps guide the development of the internal audit function. The plan is more than a point-in-time risk assessment. It formally defines the value proposition of the new function, the customers it serves and the value it will create now and into the future. It outlines operational tactics to achieve key objectives as well as functional management responsibilities.

The plan also addresses funding and human resource needs both initially and over a three-to-five year horizon. Key assumptions and benchmarks comparing the plan against third-party data are generally included. The plan may also consider the costs and benefits of using differing approaches to achieve the desired results, including:

- Optimising integration with other risk and control monitoring functions such as legal, compliance, credit, market, security and fraud risk management functions
- Use of third-party sourcing to provide skills and competencies to the function
- Development of a control self-assessment program

The strategic plan should address communication issues that are critical to the success of the function. The communications component of the plan may address issues such as:

- Initial communication to the organisation from the audit committee and executive management
- Communication of internal audit’s responsibilities and authority
- Expectations of the organisation in supporting the mission of internal audit
- Expectations concerning the resolution of internal control weaknesses or issues identified by internal audit

Ultimately, the strategic plan sets a baseline or standard against which future decisions and results can be measured. We recommend the plan be reviewed annually with changes considered and approved by all primary stakeholders as appropriate.

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A business initiative lacking a solid business plan is subject to challenge by internal audit; likewise, an internal audit function without a business plan is suspect.
Assess Risks and Develop the Audit Plan

It is critical for internal audit to develop a systematic means to analyse risk. Risk is any event that could prevent the company from achieving its business objectives.

A risk assessment allows the auditor to consider how potential events might affect the achievement of business objectives. The risk assessment process begins by defining the audit universe. The audit universe includes all of the business units, processes and operations. Next, the auditor must understand the company’s business model within the context of its industry and its key business objectives. Through dialog with stakeholders, internal audit should confirm its understanding of the audit universe, key business objectives and risks inherent in the achievement of those objectives.

With a solid understanding of the company, its objectives and inherent risks, the auditor must consider the possible impact of the various risks on the achievement of business objectives and the likelihood of their occurrence. By considering both the impact of key risks and the likelihood of occurrence, a risk profile of the organisation can be developed. The risk profile is presented to management and the audit committee using a colour-coded heat map that identifies high, moderate and low risk areas. This initial risk assessment identifies specific business units, processes or activities that present the highest risks and forms the basis of the audit programme.

The Internal Audit Risk Assessment Process

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To be most effective, the internal audit risk assessment and resulting risk summaries must be linked to both the internal audit strategic plan and the level of assurance needed by the audit committee.
In the first year of an internal audit start-up, companies typically do not have a formal baseline from which to evaluate the effectiveness of control activities. As such, the initial risk assessment and audit plan are developed primarily at inherent risk level. Inherent risks are those present in the normal course of conducting business activities. These include external risks such as changes to global, national and economic climates, as well as technological, legal and political changes. Inherent risks also include internal factors that warrant special attention including changes in operating systems, new product launches, entry to new markets, management and organisational changes and expansion of foreign operations.

As baseline knowledge of the effectiveness of internal controls develops, the periodic risk assessment may consider the reliability and effectiveness of these controls in mitigating the significance and/or likelihood of a risk occurrence. Based on this knowledge, various risks may be reclassified due to improved knowledge of the system of internal control. However, even in areas where controls are thought to be effective, internal audit must incorporate the periodic testing of key controls to ensure they continue to help mitigate critical risks.

The results of this risk-assessment process will enable you to develop alternative internal audit plans to address a variety of risks across your organisation. An effective audit plan provides a systematic means to assign risks into high, moderate and low categories. Once risks are assessed, the chief audit executive should work with the audit committee and senior management to prioritise organisational risks and determine the competencies and skill sets needed in the internal audit function to address high-priority risks and key stakeholder needs.

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Care must be taken to avoid a misalignment between the technical competencies necessary to execute the audit plan and the skill sets resident in the new function. Remember – audit to the risk, not just to available skill sets.
Establish Current and Multi-Year Budgets

After completing Steps 1–4, sufficient information will be available to begin to establish current and longer-term budgets. Budgets must provide sufficient resources for internal audit to deliver the risk-based audit plan developed in Step 4 as well as the flexibility to respond to changing business needs.

Prepare the initial budget based on the results of the risk assessment and audit plan. Look to internal audit benchmarks developed by the Institute of Internal Auditors (IIA) or other third parties to establish a budgetary baseline as compared to similar internal audit organisations within your industry. The budget should be projected on a three-to-five year horizon, as discussed in Step 3 of the framework, Develop a Formal Strategic Plan.

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Align budgets with strategies first, tactics second.
The internal audit budget must have the flexibility to allow internal audit to fight fires that inevitably occur in most organisations. To deliver a consistent and high-quality audit plan while having the ability to respond to change, we recommend the use of a Flexible Spending Account™. A Flexible Spending Account operates as follows:

- The core internal audit budget is established based on the risk assessment and resulting internal audit plan. The core budget provides funding sufficient to deliver the internal audit plan effectively.
- A separate Flexible Spending Account is also established. The account is funded based on a percentage of the core internal audit budget or other estimates.
- As specific projects or needs are identified, necessary resources and skill sets are identified to support both the core internal audit plan and special needs.
- Resources are either redeployed away from the internal audit plan to special projects or accessed from outside the department.
- The Flexible Spending Account provides the funding to support the unexpected or one-time internal audit needs of the organisation.
- Unused funds in the Flexible Spending Account are reflected as a positive variance in the internal audit budget and estimated annually, concurrent with the development of the annual internal audit risk assessment process and plan development.

Benefits of Using a Flexible Spending Account

- Internal audit budgeting process is closely linked to internal audit stakeholder “value drivers.”
- Process encourages a dialog between internal audit and its stakeholders to consider the investment in the function – but also its value contribution.
- “Core” internal audit resources are more productive – resources are not diverted to one time or specialised projects.
- Areas requiring specialised skills are clearly identified and funded.
- Specialty resources are available on an as-needed and when-needed basis.
Launch Fieldwork As Soon As Possible

Too often, start-up internal audit departments want all staffing and infrastructure in place before beginning to conduct audits. This is a major mistake. Key stakeholders are impatient for results and want to see demonstrable progress now, not next year. You cannot afford to wait until you have everything in order before producing results.

To create immediate value, start your fieldwork within a matter of weeks. Ideally, you should lay the groundwork to complete the audits of three to five known high-risk areas within 100 days of the formal launch of your internal audit function. These initial audits typically will focus on areas such as general computer controls and other business areas with known internal control problems and challenges.

The use of a formal Rapid-Start Program is an effective way to ensure quick results. A Rapid-Start Program is a project management technique that maps various actions, audits and initiatives to be completed in the first 100 to 120 days. A Rapid-Start Program includes specific strategic and tactical initiatives, including initial audit fieldwork that should be occurring simultaneously. The plan includes projected target dates and milestones to measure progress, identify issues and make adjustments as needed. The use of a Rapid-Start Program also helps prevent escalation of the start-up process and ensures that fieldwork begins as soon as possible.

Of course, such a rapid start requires resources capable of performing the required fieldwork. Generally, internal audit resources “ramp up” to address the full audit programme. To achieve a rapid start, many companies initially look to an outside provider. This can have several advantages, including advice and counsel throughout the development process; access to resources necessary to complete specific high-risk audits; access to tools and technologies; and knowledge transfer to employees as the function transitions to a full in-house or cosourced resource model.

By using this rapid start approach, you can begin to deliver results to stakeholders while continuing to build out other elements of the 10-step framework. Remember: The various activities of the framework are not linear in their application. Certain elements of the framework should be in place throughout the start-up process.

<table>
<thead>
<tr>
<th>PricewaterhouseCoopers Insight</th>
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<tbody>
<tr>
<td>The internal audit start-up process is not linear. Strategic and tactical decisions must take place simultaneously.</td>
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</table>
Assess Needed Skill Sets

Assessing needed skill sets begins by revisiting stakeholder value drivers and the mission statement developed earlier in the start-up framework. Too often, management and the audit committee focus on the number of people required, rather than the skill sets needed to address high-priority risks and primary value drivers.

The objective is to define the skill sets necessary to deliver the “functional focus” desired as previously determined along the Internal Audit Continuum. Achieving the right fit on the continuum typically requires a mix of skill sets including technical and industry-specific expertise. However, attracting high-quality professionals with the right mix of leadership, skill sets and experience can be time consuming, delaying the start-up process.

To avoid delays, consider using a third party to provide interim internal audit resources as needed. Through an outsourcing relationship, management and the audit committee are able to focus on hiring the right people while simultaneously delivering results. As staff are recruited and hired, the outsourcing relationship can be scaled to a cosourcing relationship or eliminated.

In considering your longer-term staffing needs, remember that internal auditing is a dynamic, changing field that is no longer defined by who does the work.1 In the past decade, leading companies have come to rely on cosourcing relationships to provide flexibility and skill sets that can be impractical to retain in-house.

“Beyond in-house staff, world-class departments are complementing their own resources with selective outsourcing. Even a large audit staff cannot maintain in-depth knowledge of every computer application, investment product and benefit plan in the organization.”

How Do Internal Auditors Add Value?, Internal Auditor Magazine, February, 2003, page 36, James Roth, PhD, CIA, CCSA.

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To address this need, PricewaterhouseCoopers has developed the Hub and Spokes Resource Model™.

The Hub and Spokes Resource Model assumes that certain core internal audit resources and capabilities will remain resident within the company. This “hub” provides internal audit with the leadership, continuity and experience that are unique to your organisation. The “spokes” in the model represent elements of a possible cosourcing relationship. In the example below, the core team would call upon the capabilities of a cosourcing partner to provide the resources necessary to audit unique, complex or specialty areas such as information security, SAP system controls, Sarbanes-Oxley Act compliance, fraud investigation and business continuity planning.

The spokes depicted in the diagram are only examples of possible specialty capabilities that may be needed.

Spokes are not limited only to specialty areas. If core internal audit resources are required in various geographies or to team with an existing audit unit, a hub and spokes model ensures responsiveness, quality and consistency while eliminating or controlling audit costs.

The Hub and Spokes Resource Model, combined with the Flexible Spending Account previously discussed, provide internal audit access to the right skill sets on an as needed basis. As areas of internal audit focus change, the Hub and Spokes Resource Model and the Flexible Spending Account provide the flexibility to ensure internal audit “audits to the risk” as opposed to the skill sets available in-house.

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Internal audit’s value proposition is only as good as the skills the function brings to the company’s risk management environment.
Develop or Acquire Enabling Infrastructure, Methodology and Technologies

Another danger in creating an internal audit function is to begin the process by spending too much time on developing infrastructure. Such investments should be driven solely by business goals and the company’s risk profile. Before making key infrastructure decisions, it is critical to review:

- Risk assessment methodologies
- Audit-planning protocols, documentation and review processes
- Access to and integration of best practices
- Plans to execute internal audit projects
- Quality control processes
- Processes for tracking, resolving and communicating audit findings
- Human resource management and administration

Internal audit technologies can greatly improve the efficiency, quality and consistency of the audit process. Data analysis software can also enhance the audit by allowing the computerised testing of entire populations of data as opposed to relying on detail testing of sample data.

Internal audit infrastructure and methodologies can be developed internally or acquired from a third party. PricewaterhouseCoopers, for example, offers the TeamMate™, an integrated electronic working paper software application designed specifically for internal auditors. We also offer the world’s most respected business process best-practices knowledge base: Global Best Practices®.

Your infrastructure should include a quality assurance process to assure compliance with both the organisation’s methodologies and policies and the Standards for the Professional Practice of Internal Auditing of the IIA.

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Look beyond your organisation to identify leading practices that improve internal audit business process performance.
Establish Communication Protocols

A PricewaterhouseCoopers survey indicates that a significant communication gap exists between executive management and the internal audit function at many companies. This disturbing revelation is a formula for failure during a period of rising expectations for internal audit.

Given the strong link between effective communication and management’s perception of internal audit performance, it is imperative that an internal audit group communicate effectively with its internal stakeholders. On a regular basis, internal audit should seek opportunities for dialogue with management, creating a strong, clear connection between your internal audit mission and your company’s strategic issues and risks.

To strengthen the effectiveness of written communications, reports and summaries, establish clear communication protocols with key stakeholder groups to address these and other issues:

- How audit planning and results will be communicated with both executive and line management
- Effective communications with and reporting to the audit committee
- The review of audit findings prior to leaving the field
- The timing of final audit reports after leaving the field
- The use of ratings in audit reports or other means to communicate levels of concern
- Methods for resolving differing interpretations of audit findings
- The use of periodic calling programmes with line management between audits
- The use of progress reports to address the status of audit findings, any recommendations and their ultimate resolution
- Effective communications and coordination with a company’s external audit firm
- Effective communications across the internal audit function
Measure Results

To be effective, your internal audit team must demonstrate results, requiring a performance measurement system tied to the stakeholder value drivers identified in Step 1. It is important to regularly track and measure internal audit performance against broad management expectations in order to meet – and then exceed – the expectations of key stakeholders.

To measure value, consider using “balanced scorecards,” an effective tool that goes well beyond numbers to examine important, broad-based activities. The balanced scorecard concept was created by Drs. Robert S. Kaplan and David P. Norton in 1992 based on the simple premise that “measurement motivates.” Today, it has been utilised by thousands of corporations, organisations and government agencies worldwide.

The balanced scorecard allows organisations to implement strategy rapidly and effectively by integrating measurement with the management system. It allows you to assess a detailed set of objectives and activities on an ongoing basis, as well as to measure links between incentive compensation and individual performance. Each organisation should build its specific internal audit scorecard based on the first three steps of the framework: Define Stakeholder Expectations, Articulate the Mission, and Develop a Formal Strategic Plan. A sample scorecard is shown below.

### Example Internal Audit Balanced Scorecard

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Category</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% People</td>
<td>Quality of professional staff</td>
<td>- Ability to address specialised and technical needs</td>
</tr>
<tr>
<td></td>
<td>Understanding of the business and the global business environment</td>
<td>- Interaction and communication with line management executives</td>
</tr>
<tr>
<td></td>
<td>Development of management talent for the organisation</td>
<td>- Development of management talent for the organisation</td>
</tr>
<tr>
<td>25% Risk Management</td>
<td>Timely and effective identification of key business risks</td>
<td>- Adaptability and responsiveness to emerging risks</td>
</tr>
<tr>
<td></td>
<td>Percentage of audit activities and resources allocated to addressing key business risks</td>
<td>- Understanding and fulfillment of the needs of:</td>
</tr>
<tr>
<td></td>
<td>- The audit committee</td>
<td>- Executive management</td>
</tr>
<tr>
<td>25% Internal Audit Process Effectiveness</td>
<td>Rapid and effective start-up</td>
<td>- Effective and timely communications</td>
</tr>
<tr>
<td></td>
<td>Development and delivery of practical recommendations to improve internal controls and corporate governance</td>
<td>- Results of auditee satisfaction questionnaires</td>
</tr>
<tr>
<td>25% Value Added to the Business</td>
<td>Protection of shareholder value through an improved control environment</td>
<td>- Cost reductions</td>
</tr>
<tr>
<td></td>
<td>Enhanced shareholder value through:</td>
<td>- Reduced revenue leakage</td>
</tr>
<tr>
<td></td>
<td>- Cost reductions</td>
<td>- Reduced working capital</td>
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<tr>
<td></td>
<td>- Enhanced cash flow</td>
<td></td>
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Internal audit is not unlike any other business process. Its performance and value contribution can be measured if clear value drivers have been established at the outset and effective measurement protocols developed.
Conclusion

At PricewaterhouseCoopers, we are convinced that you can avoid the pitfalls and miscues associated with internal audit start-ups by combining a strategic framework with tactical execution to provide the foundation for an effective internal audit function.

In this 10-step approach, we have distilled insights gained from years of work with hundreds of leading organisations worldwide helping to establish internal audit functions and enhance their performance. Over the course of these engagements, these 10 steps have proven highly beneficial to our clients.

To learn more about our 10-step framework for effective internal audit, contact Jim LaTorre or Dick Anderson:

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About PricewaterhouseCoopers’ Internal Audit Services

PricewaterhouseCoopers’ Internal Audit Services (www.pwc.com/internalaudit) provides a broad range of solutions to companies seeking to fortify their internal control, risk monitoring and strategic management capabilities. By uniting all of PricewaterhouseCoopers risk offerings within Internal Audit Services, we offer a broad range of internal audit advisory services, co-sourcing and full outsourcing services to strengthen the performance of internal audit organisations.

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.com) is the world’s largest professional services organisation. Drawing on the knowledge and skills of more than 125,000 people in 142 countries, we build relationships by providing services based on quality and integrity.
Internal Audit Start-up

1. Stakeholder Expectations
2. Mission Statement
3. Strategic Plan
4. Risk Assessment and Audit Plan
5. Launch Fieldwork As Soon As Possible
6. Define Scope and Objectives
7. Establish Communication Protocols
Framework

5. Establish Budgets

7. Assess Needed Skill Sets

10. Measure Results
## Ten Steps to Building a Strategically Focused Internal Audit Function

<table>
<thead>
<tr>
<th>Ten Steps to a Strategic Internal Audit Function</th>
<th>Key Issues to Consider and Milestones</th>
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</table>
| 1. Define Stakeholder Expectations              | Are stakeholder expectations and desired outcomes:  
- Clearly articulated?  
- Measurable?  
- Agreed upon by all primary stakeholders? |
| 2. Articulate the Mission                       | Is the Mission Statement:  
- Tailored to your organisation?  
- Articulated clearly in regards to the functional focus of the function?  
- Aligned directly to stakeholder expectations and outcomes?  
- Clear in delineating the organisational authority and responsibilities of the function?  
- Effectively shared and communicated to the organisation from executive levels? |
| 3. Develop a Formal Strategic Plan              | Does the Strategic Plan provide a framework for:  
- Include a 2- to 3-page executive summary?  
- Provide strategic guidance, operating tactics and objectives?  
- Clarify the focus and value proposition of the new function and specific deliverables?  
- Identify key assumptions incorporating third-party data where possible?  
- Address coordination and integration with other oversight functions in the organisation?  
- Address the department’s funding model including budgetary and resource needs on a 3- to 5-year horizon?  
- Include an implementation time line?  
- Address communicating the formation of the function and its mission, role and importance to the entire organisation?  
- Identify functional responsibility for the leadership, development and execution of the internal audit programme?  
- Address quality control, reporting of findings and responsibility for resolving internal control weaknesses?  
- Furnish a standard against which to judge future decisions and results?  
- Promote and support ongoing collaboration and communication with the audit committee and other stakeholders? |
| 4. Assess Risks and Develop the Audit Plan      | Do the Risk Assessment and Audit Plan:  
- Provide a consistent, systematic means to analyse risk across the organisation?  
- Produce a profile of the organisation’s comprehensive risks?  
- Reflect a consensus view of risk, including management’s?  
- Prioritise risks across the organisation?  
- Provide a basis for developing alternative internal audit plans?  
- Assist in clarifying the competencies and skill sets required of the function? |
| 5. Establish Current and Multi-Year Budgets      | Are budgetary resources:  
- Sufficient to ensure achievement of stakeholder expectations?  
- Sufficient to provide flexibility to address unanticipated special projects?  
- Sufficient to provide access to speciality resources from outside the department?  
- Multi-year in scope?  
- Sufficient to establish the function in the desired time frame?  
- Inclusive of all start-up costs, including recruitment, methodology, development and technology investments (both hardware and software)?  
- Inclusive of administrative costs such as travel, learning and education, specialised technical training and administrative support? |
| 6. Launch Fieldwork As Soon As Possible | Is (or is it anticipated that) internal audit fieldwork (will be):
- In progress even while the function is being developed?
- In progress or planned (3 or 5 areas) within the first 100 days of the start-up initiative?
- Initially focused on areas of high risk, impact or need, such as information technology and data security?
- Stalled due to lack of staffing? Has consideration been given to using external resources while transitioning to a permanent resource model? |
| 7. Assess Needed Skill Sets | Does the skill set assessment:
- Include a detailed analysis of the necessary critical resources, skills and competencies?
- Consider and incorporate the desired human resource strategies included in the internal audit strategic plan?
- Result from an objective analysis of needed skill sets and competencies – rather than from the skills currently resident in the organisation?
- Consider the need for industry-specific, specialty and cultural competencies?
- Consider how competencies and skill sets will evolve over a 3- to 5-year horizon?
- Consider external providers as an approach to accessing needed skill sets? |
| 8. Develop or Acquire Enabling Infrastructure, Methodology and Technologies | Do infrastructure needs consider:
- Acquisition of technologies, tools and methodologies commercially available?
- Establishment of a consistent, documented audit methodology to ensure audit quality?
- Sources and costs of ongoing learning and education?
- Access to best practices and benchmarking information?
- Access to both specialty tools and the expertise to use them effectively?
- Periodic quality assurance reviews, including compliance with the IIA standards?
- Training in the acquired or developed tools and methodologies? |
| 9. Establish Communication Protocols | Are communication protocols:
- Inclusive of established and agreed-upon stakeholder needs and expectations?
- Defined to include the development, format, review and timing of audit reports?
- Defined to include organisational expectations for the timely follow-up and resolution of internal audit issues and recommendations, not only of internal audit, but also of auditees?
- Inclusive of good communications practices within and across the internal audit function? |
| 10. Measure Results | Are internal audit results:
- Measured using a system that includes both objective and subjective metrics, such as a balanced scorecard?
- Evaluated using metrics derived from established and communicated stakeholder needs and valued outcomes as identified in the strategic plan?
- Evaluated by key stakeholders with direct interest in the function and the achievement of its strategies, goals and objectives?
- Effectively communicated to all internal audit staff?
- A key component of the performance evaluation of each individual internal audit staff member? |