Republic of Kenya

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (KENYA)

(Entity Logo)

NAME OF PUBLIC SECTOR ENTITY

INTERNAL AUDIT STRATEGIC PLAN

Strategic Plan Period 20xx-20xx

DOCUMENT APPROVAL PAGE

TITLE: Internal Audit Strategic Plan Template		
Approved by:	**Sign**	**Date**
Accounting Officer		
Audit Committee, Chairperson		
Governing Body, Chairperson		

[User note]: This section should be documented as per the entity requirements.

FOREWORD

This section should include Internal Audit Function's (IAF) policy direction, rationale and commitment towards implementation of the Internal audit strategic plan.

[User note]: This section should be signed by the Chairperson, Governing Body.

PREFACE

This section should include a brief on the content of the strategic plan, the process followed in its development, and commitment by the Accounting Officer and Management to support the IAF in ensuring the achievement of the Internal Audit Strategic Plan.

[User note]: This section should be signed by the accounting officer.

ACKNOWLEDGEMENT

This section should include recognition of the key stakeholders (internal and external) involved in the preparation process.

[User note]: This section should be signed by the Head of Internal Audit Function.

List of Figures and tables (If any)

Definition of Terms — this should include all the unique terms used in the strategic plan (If any)

Acronyms and Abbreviations (If any)

EXECUTIVE SUMMARY

This section should provide a high-level overview of the key components of the plan, including;
- Background information of the entity
- Rationale of internal audit function's strategic plan
- Situational analysis of the internal audit function
- Internal audit function strategic direction
- Framework for implementation, coordination, monitoring and evaluation.

Table of Contents

Chapter 1: Introduction

This section provides a background of the entity, rationale for preparing an internal audit strategic plan, the assumptions made in the process and the critical success factors for effective implementation.

1.1 Background
This section contains:
- Background information, mandate and organizational structure of the Entity
- Background information, and Mandate of the Internal Audit Function (IAF) as per relevant legal and regulatory framework and the Internal Audit Charter

1.2 Rationale
This section contains information on:
- Relevant legal and regulatory framework requirements on internal audit strategic plan preparation
- How implementation of this plan will support the Entity to achieve its Strategic Plan.
- Objectives of developing an internal audit strategic plan

1.3 Assumptions
This section provides information on assumptions underlying the successful achievement of the plan.

1.4 Critical Success Factors
This section provides crucial factors which enable the IAF focus on value addition activities that are most important allowing it to achieve its internal audit strategic plan.

Chapter 2: Situational and Stakeholder Analysis

This section evaluates the environment (internal and external) in which the IAF operates to identify value at stake and establish critical success factors required to capture and deliver the value.

[User note]: Tools for external and internal analysis may include SWOT, PESTEL, Value Chain Analysis (VCA), Resource Based View (RBV), Functional Analysis (FA) and Comparative Analysis (CA). Users are free to use the tool that suits the entity.

2.1 Situational Analysis

2.1.1 Environmental Scan

This section demonstrates an understanding of the developments in the external and internal environment to appreciate their implications as manifested in strengths, weaknesses, opportunities and/or threats which should inform identification of appropriate strategic responses. Further, internal environment scanning may consider other factors such as Governance Structures, Administrative Structures, IAF Processes, Entity Processes, IAF Resources (Financial, Human Resource and Technologies) and Capabilities to determine their relative contribution to the internal audit function's overall performance. This can be demonstrated as illustrated below.

Illustration 1: PESTEL

Environmental Factor	Opportunities	Threats
Political		
Economic		
Social		
Technological		
Ecological		
Legal		
Micro Factors (Customers, Creditors, Suppliers)		
Entity's Industry Factors *(as applicable)*		

Illustration 2: SWOT

Factor	Strengths	Weaknesses	Opportunities	Threats
Governance Structures				
Administrative Structures				
IAF Processes				
Entity's Business Processes				
IAF Resources (Financial, Human Resource and Technologies) and Capabilities				

2.2 Stakeholder Analysis

Internal audit stakeholders encompass a wide range of individuals and groups who have an interest in the internal audit function and its outcomes. The stakeholders can be both internal and external to the entity. These include but are not limited to, governing body, management, employees, customers, vendors, regulatory agencies, financial institutions, external auditors, the public, professional bodies among others.

The illustration below highlights key internal audit stakeholders, and the value Internal Audit delivers to them.

Illustration 3: Stakeholder Analysis

S/No.	Stakeholder	Expectations of the Stakeholder	Expectations of the IAF
1.	Governing body		
2.	Management		
3.	Internal and external Assurance providers		
4.	Professional bodies		
5.	Regulators		
6.	Other stakeholders as applicable to the entity		

2.3 Analysis of Past Performance

The section should contain an evaluation of past performance based on the level/extent of achievement of the previous strategic plan objectives where applicable. The evaluation should focus on key result areas, specific objectives, achievements and challenges. The IAF should identify the knowledge gained during implementation of previous strategic plan which shows how issues were addressed or should be addressed in the future for the purpose of improving future performance.

Chapter 3: Strategic Direction

This section should identify the strategic issues that the IAF is expected to address effectively to realize it's vision and mission. The strategic issues should form the basis of formulating respective goals, key result areas, strategic objectives and strategies.

3.1 Vision
This section should provide a possible and desirable future state (vision statement) of the internal audit function

[User Note:] Document the vision in line with the Entity's Strategic Plan. The vision statement should be brief, precise and inspiring.

3.2 Mission
This section may provide why the IAF exists, the services it provides, and how it intends to achieve its vision

[User Note:] Document the mission in line with the Entity's Strategic Plan. The mission statement answers key questions about what the IAF does, who it serves and how it intends to achieve its objectives.

3.3 Values
This section should provide the values expected of internal auditors as prescribed by the entity and relevant professional bodies.

[User Note]: The guiding principles should be anchored on ethical themes and good governance practices.

3.4 Strategic Issues, Goals and Key Result Areas (KRAs)
This section should provide information on:
- Strategic issues or strategic area of focus
- Goal/s linked to each strategic issue/s
- Key Results Areas (KRAs) as illustrated below

Illustration 4: Strategic Issue, Goal and KRA

Strategic Issues	Goals	KRAs
In this section, the IAF should identify the strategic issues arising from the situational and stakeholder analyses as outlined in chapter 2 above.	The function should formulate desirable outcomes in addressing the strategic issues which should be related to the vision and mission of both the entity and IAF.	The IAF should determine the KRAs that are linked to the attainment of strategic goals.

[User Note:] Strategic issues are fundamental challenges that would affect the achievement and realization of and entity/IAF's mission and vision. Strategic Goals are desired outcomes in addressing strategic issues.

3.5 Strategic Objectives and Strategies

This section should document formulated strategic objectives that are SMART (Specific Measurable Attainable Relevant Time Bound) guided by the IAF's strategic goals and KRAs. The IAF should provide a *three-year* projection for the formulated strategic objectives.

[User note]: The projections should be informed by realistic achievements under the prevailing circumstances on a year-to-year basis as demonstrated below.

Illustration 5: Three-year Projection

Key Result Area						
			Projections			
Strategic Objectives	Outcome	Outcome Indicator	Baseline (where applicable)	Year 1	Year 2	Year 3
SO $_1$						
SO $_2$						
…						

The IAF should identify strategies for each strategic objective as illustrated below.

Illustration 6: Strategies

S/No.	Strategic Objective	Strategies
1.	SO_1	S_1
		S_2
		….
2.	SO_2	S_1
		S_2
3.	….	….

Chapter 4: Implementation and Coordination Framework

4.1 Implementation plan

This section should provide an implementation plan which describes how the internal audit strategic plan will be operationalized. The implementation plan should include the following:

  i.   Strategies
  ii.   Activities to be implemented to achieve the objectives and strategies
  iii. Expected Output
  iv.   Output Indicators
  v.   Target for the three years
  vi.   Timelines for implementing each activity
  vii. Budget required to implement each activity.
  viii. Responsibility for implementing each activity

The information should be summarized in an implementation matrix as illustrated below.

Illustration 7: Implementation Matrix

Strategy	Activities	Expected Output *	Output Indicators **	Target For 3 years	Target			Budget (Ksh.)			Responsibility ***	
					Y1	Y2	Y3	Y1	Y2	Y3	Lead	Support
Strategic Issue:												
Strategic Goal:												
KRA:												
Outcome:												
Strategic Objective:												

[User note]: For instance, where one of the IAF's activities includes the development of an annual risk-based plan, the following information should be captured;

* Expected Output – Developed annual risk-based plan

** Output Indicators – Number of risk-based plans developed

*** Responsibility – In the context of the value chain execution framework, there should be a Lead Actor for every activity and Support Actor(s).

4.2 Coordination Framework

This section should provide the required functional framework that is key in the coordination and implementation of the internal audit strategic plan. The framework will include:

  I.   The organogram required to achieve the objectives
  II.   IAF Staff establishment
  III. Skill set and competencies
  IV.   Leadership
  V.   Systems and methodologies

The information may be summarized as demonstrated below.

Illustration 8: Staff Establishment

Job Group/ Grade	Approved Establishment (A)	Optimal Staffing Levels (B)	In-post (C)	Variance D = (B-C)

Illustration 9: Skills Set and Competence Development

Job Group/Grade	Skills Set	Skill Gaps	Competence Development

[User note]: The skills set should be aligned with IIA's Internal audit competency framework and entity-specific career progression guidelines.

4.3 Risk Management Framework

This section should provide information on identified risks that may hinder the realization of the internal audit strategic plan as demonstrated in the illustration below. Risks should be categorized and prioritized based on the likelihood of occurrence and expected impact with suggested actions for mitigation, monitoring and reporting.

Illustration 10: Risk Management Framework

SN$_o$	Strategic objectives	Risks	Risk likelihood	Risk Impact	Overall Risk Level	Mitigation Measures

[User note]: The risk assessment should be in line with the entity risk management policy.

Chapter 5: Monitoring, Evaluation and Reporting Framework

5.1 Monitoring Framework

This section should describe the basis for review of progress on implementation of internal audit strategic plan as demonstrated in the illustration below. It should also indicate the methodology for the systematic collection of data on specified indicators to monitor the extent of progress and achievement of strategic plan objectives.

[User note]: The IAF should continuously track output in the action plan implementation matrix by:
1) Objectively determining KPIs from the action plan implementation matrix for tracking the outputs and outcomes.
2) Establishing baseline data on indicators to be monitored.
3) Planning for continuous improvement on the targeted results for efficiency and effectiveness.

Illustration 11: Monitoring framework

Strategy	Activities	Expected Output *	Output Indicators **	Target For 3 years	Target			Achievement		
					Y1	Y2	Y3	Y1	Y2	Y3
Strategic Issue:										
Strategic Goal:										
KRA:										
Outcome:										
Strategic Objective:										

[User note]: This can be reviewed periodically by the IAF and reported to the Audit Committee as appropriate.

5.2 Evaluation Framework

This section should describe the basis for assessing the level and extent of achievement of objectives towards attainment of the strategic goals along respective KRAs. The framework should include defined outcome indicators, baselines and targets as demonstrated below.

Illustration 12: Evaluation Framework

Key Result Area	Outcome	Outcome Indicator	Baseline		Target	
			Value	Year	Mid-term period	End-term period
KRA 1						
KRA 2						
KRA 3						

[User note]: Evaluation of the internal audit strategic plan should be undertaken at least mid-term and end-term. IAF may use their entity evaluation framework as appropriate.

5.3 Reporting framework and feedback mechanisms

This section should describe the mechanisms for reporting on the implementation of the internal audit strategic plan interventions. This includes types of reports, frequency of reporting, responsibility for monitoring and users of the report. IAF may use the reporting framework as demonstrated in Illustration No.11.