

Align IA Strategy and Strategic Planning with the Global Internal Audit Standards

Government and Not-for-Profit
Conference - Atlanta

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Public Sector Focus



The Institute of
Internal Auditors



International
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- 20+ years' experience training professionals.
- Volunteer experience includes IIA Chapter leadership, Global Academic Relations Committee, and multiple State of Oregon Audit Committees.
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Agenda

- **From Concept to Practice: Developing an Internal Audit Strategy Incorporating Public Sector Considerations**
- **From Conformance to Practice: Internal Audit Strategy in the Global Internal Audit Standards™**
- **From Purpose to Practice: The Role of Strategy in Internal Auditing**

Polling Question #1

Who is in the audience today – my position can best be described as:

- A. Public sector chief audit executive
- B. Public sector internal audit staff or supervisor
- C. Not-for-profit chief Audit Executive
- D. Not-for-profit internal audit staff or supervisor
- E. Public sector or not-for-profit board or audit committee member
- F. I do not work in the public sector or for a not-for-profit or for an internal audit function



From Concept to Practice: Developing an IA Strategy



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Why Internal Audit Strategy Matters

Ensures alignment with organizational priorities and risks.

- Links internal auditing activities to the mission and objectives of the organization.
- Keeps the internal audit function relevant as risks and strategies evolve.

Enhances the relevance and impact of internal auditing.

- Positions the internal audit function as a trusted advisor, not just a compliance checker.
- Increases stakeholder satisfaction through timely and strategic insights.

Provides long-term direction for the function.

- Defines a vision and objectives for the next 3 to 5 years.
- Prevents a short-term, engagement-only focus.

Supports resource planning and quality assurance.

- Guides budgeting, staffing, and technology investment.
- Serves as a basis for QAIP assessments and demonstrates conformance with the Standards.

Internal Audit Strategy versus Internal Audit Plan

| Internal Audit Strategy | Audit Plan |
|---|---|
| Long-term direction (2–5 years) | Short-term execution (annual, sometimes quarterly) |
| Vision, strategic objectives, initiatives | Specific assurance and advisory engagements |
| Anchored in Purpose of internal audit & organizational strategy | Derived from risk assessment & strategy guidance |
| Reviewed periodically by the governing body/senior management | Formally approved by the governing body each period |
| Provides roadmap for long-term positioning | Ensures tactical execution & responsiveness |

Strategy drives the Plan: Together they help ensure the internal audit function is both forward-looking (strategic) AND responsive (tactical).

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Public Sector Considerations

- ❖ Your organization may not have a Strategic Plan:
 - What is its legal purpose? Why do they exist?
 - Lead by example – develop your strategy and share to encourage them to formally develop one.
- ❖ Similar to the charter, you may need to incorporate portions of a legal mandate or administrative rule.
- ❖ Environmental scan may include other agencies – either within your jurisdiction or other similar agencies in other jurisdictions.
- ❖ Stakeholders may include elected officials, external assurance providers, senior management, and other interested parties.

From Conformance to Practice: Internal Audit Strategy in the Global Internal Audit Standards



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Polling Question #2

The internal audit function I work for:

- A. Has a documented strategy specific to the internal audit function.
- B. Is currently working on developing or updating the internal audit strategy.
- C. Does not have a documented strategy but has had conversations and has a plan to develop one.
- D. Does not have a strategy and is not intending to develop one soon.
- E. I don't know or doesn't apply to me.



Internal Audit Strategy in The Global Internal Audit Standards

Domain IV: Managing the Internal Audit Function.

Principle 9 – Plan Strategically

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

- **Standard 9.1:** CAE must understand governance, risk, and control processes.
- **Standard 9.2:** IA strategy must include vision, strategic objectives, and initiatives aligned with stakeholders.
- **Standard 9.3:** Methodologies must support the strategy.
- **Standard 9.4:** Annual internal audit plan must derive from the strategy



Standard 9.1: Understanding GRC

Requirements (Must):

- CAE must understand the organization's governance, risk management, and control (GRC) processes.
- Understanding is prerequisite for developing an internal audit strategy.

Considerations (How):

- Gather information from board reports, risk registers, policies, regulatory reports, and so on.
- Engage with governing body, senior management, and assurance providers.
- Use this knowledge to align internal audit's strategy with organizational priorities.

Standard 9.2: Internal Audit Strategy

Requirements (Must):

- CAE must develop and implement a strategy that supports organizational success.
- Strategy must align with expectations of board, senior management, stakeholders.
- Strategy must include: Vision, Strategic objectives, Supporting initiatives.

Considerations (How):

- Vision = desired future state (3–5 years).
- Use SWOT, gap analysis, scenario planning to inform objectives.
- Objectives must be SMART (specific, measurable, achievable, relevant, timely).
- Supporting initiatives include tech adoption, competency development, process improvements.

Standard 9.3: Methodologies

Requirements (Must):

- Chief audit executive must establish methodologies that guide the internal audit function's activities and support achievement of the strategy.
- Methodologies must align with the Standards and organizational needs.

Considerations (How):

- Examples: risk-based planning, agile auditing, data analytics integration.
- Document methodologies in an internal auditing manual, templates, processes.
- Review and adapt methodologies as risks, technology, or expectations evolve.

Standard 9.4: Internal Audit Plan

Requirements (Must):

- The chief audit executive must develop a risk-based and dynamic internal audit plan.
- The plan identifies engagements and services for a defined period (typically one year).
- The plan and any changes must be approved by the governing body.

Considerations (How):

- The plan is derived from the internal audit strategy and risk assessment.
- Update the plan regularly as risks, priorities, and resources change.
- Coordinate with other assurance providers to avoid duplication and gaps.
- Ensure the plan reflects both assurance and advisory work.

Standard 9.5: Coordination and Reliance

Requirements (Must):

- The chief audit executive must consider opportunities to coordinate and rely on other assurance providers.
- Internal audit services must complement rather than duplicate other assurance activities.

Considerations (How):

- Use assurance mapping to identify overlaps and gaps.
- Communicate with compliance, risk management, external assurance providers.
- Document reliance on others' work with due diligence.
- Improves efficiency, reduces audit fatigue, enhances assurance coverage.

Other Related Standards

Standard 8.3 – Quality (QAIP)

- Strategy defines how the internal audit function seeks **continuous improvement**.
- Provides evidence of alignment with organizational objectives.
- Forms basis for **governing body** (board) **reporting on quality**.

Standard 10.1–10.3 – Resources

- Strategy determines **financial, human, and technological needs**.
- Guides **budget requests and resource prioritization**.
- Ensures resources match the function's **mandate and vision**.

Standard 12.2 – Performance Measurement

- Strategy sets **clear objectives and success criteria**.
- Key Performance Indicators measure the internal audit function's progress against its **vision and initiatives**.
- Enables **regular monitoring and adjustment** of the strategy.



Public Sector Considerations

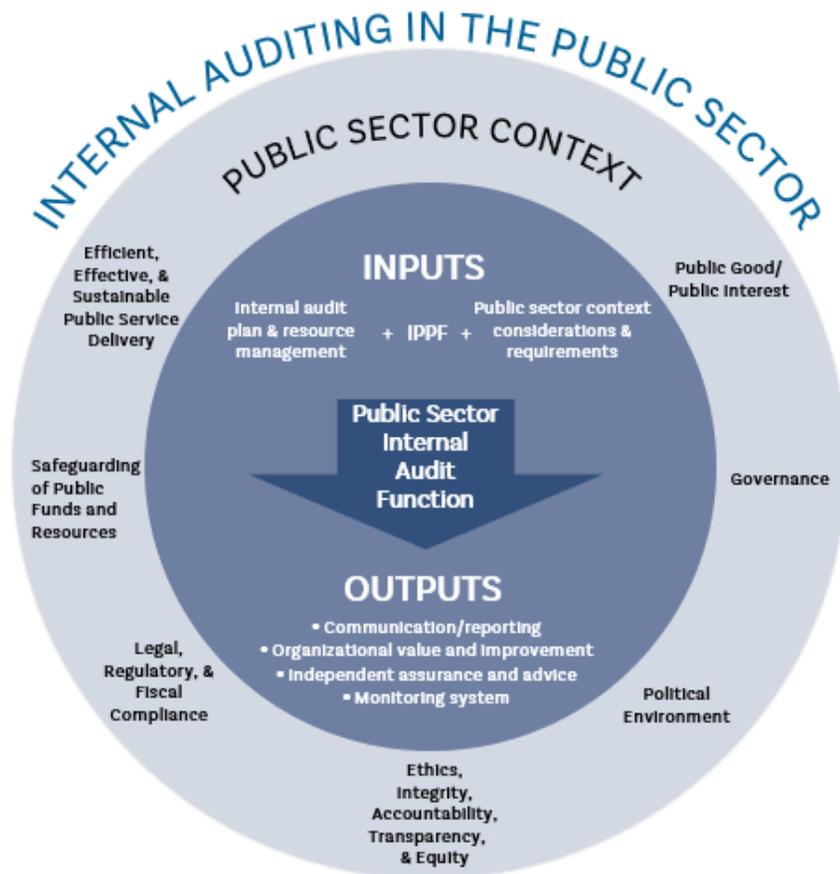


- Refer to Applying the global Internal Audit Standards in the Public Sector from the Global Internal Audit Standards
- Resource limitations do not waive requirements.
- Where needed apply Standard 4.1 and document exceptions to conformance - EXCERPT:

“If laws or regulations prohibit internal auditors or the internal audit function from conforming with any part of the Standards, conformance with all other parts of the Standards is required and appropriate disclosures must be made.

When internal auditors are unable to conform with a requirement, the chief audit executive must document and communicate a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale.”

Public Sector Context



Seven Unique Aspects of Auditing in the Public Sector:

- Public Good/Public Interest
- Governance
- Political Environment
- Ethics, Integrity, Accountability, Transparency & Equity
- Legal, Regulatory, and Fiscal Compliance
- Safeguarding of Public Funds and Resources
- Efficient, Effective, and Sustainable Public Service Delivery

• Applying the Standards in the Public Sector



Internal auditors in the public sector operate in a **political environment**, which sometimes differs from private sector in how they apply the Standards and use **terminology**, specifically related to the following areas:

Laws and/or Regulations

- Acknowledges the legal framework under which internal auditors in the public sector work
- Recognizes conform or explain approach, as described in Fundamentals and the Standards

Governance and Organizational Structure

- Explanations and examples describing various governance and organizational structures in the public sector
- Situations to be aware of and ideas for internal audit functions to adjust the application of certain standards while safeguarding independence

Pulled from the Applying the Global Internal Audit Standards in the Public Sector section of the Global Internal Audit Standards.

Applying the Global Internal Audit Standards in the Public Sector



Laws and/or Regulations:

- 4.1 Conformance with Global Internal Audit Standards
- 5.1 Use of Information
- 5.2 Protection of Information
- 9.4 Internal Audit Plan
- 9.5 Coordination and Reliance
- 11.1 Building Relationships and Communicating with Stakeholders
- 11.2 Effective Communication
- 12.1 Internal Quality Assessment
- 13.2 Engagement Risk Assessment
- 15.1 Final Engagement Communication

Governance and Organizational Structures:

- 6.1 Internal Audit Mandate
- 6.2 Internal Audit Charter
- 6.3 Board and Senior Management Support
- Principle 7 Positioned Independently and its Standards
- 7.1 Organizational Independence
- 8.1 Board Interaction
- 8.3 Quality
- 8.4 External Quality Assessment

Funding:

- 8.2 Resources
- 10.1 Financial Resource Management
- 10.2 Human Resources Management
- 10.3 Technological Resources

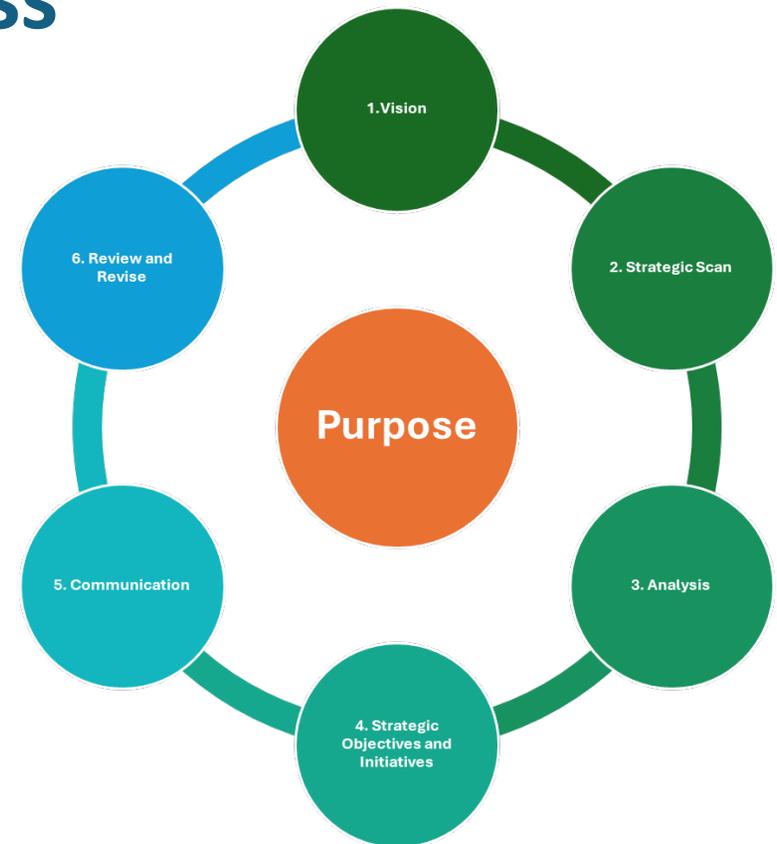
From Purpose to Practice: The Role of Strategy in Internal Auditing



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The Strategy-Setting Process

1. Define purpose and mandate.
2. Set vision (desired future state).
3. Conduct strategic scan (external and internal).
4. Analyze (SWOT, gap, scenario).
5. Establish objectives and initiatives.
6. Communicate to stakeholders.
7. Implement, monitor, and revise.



Steps 1–3 of the Internal Audit Function’s Strategy Process

Step 1: Purpose and Vision

- Purpose anchored in Domain I: Purpose of Internal Auditing.
- Vision = desired future state (3 to 5 years).
- Example: “The internal audit function will be recognized as a trusted strategic advisor providing foresight and insight.”

Step 2: Strategic Scan

- External factors: PESTEL, industry risks, stakeholder expectations, and regulatory change.
- Internal factors: mandate, resources, methodologies, QA results, and maturity.
- Sources: board (governing body) minutes, risk registers, quality assessments, and surveys.

Step 3: Analysis

- SWOT: strengths, weaknesses, opportunities, and threats.
- Gap Analysis: current vs. desired state.
- Scenario Analysis: multiple possible futures.

Steps 4-6 of the Internal Audit Function's Strategy Process

Step 4: Strategic Objectives & Initiatives

- SMART objectives (specific, measurable, achievable, relevant, timely).
- Categories: performance, innovation, process/resources.
- Supporting initiatives: technology adoption, staff training, improved methodologies.

Step 5: Communication

- Continuous engagement with: governing body, senior management, internal audit function, other key stakeholders and assurance providers.
- Build transparency and trust.

Step 6: Review & Revise

- Strategy is not static.
- Review periodically (or example, annually or upon major changes).
- Adjust for organizational shifts, emerging risks, leadership changes, and/or quality assurance results.

Steps 7-9 of the Internal Audit Function's Strategy Process

Step 7: Stakeholder Alignment

- Engage stakeholders to align expectations.
- Obtain input through surveys, interviews, and workshops.
- Document and incorporate stakeholder needs in strategy.

Step 8: Resource Planning

- Assess financial, human, and technological needs.
- Align resources with strategic priorities.
- Secure board support for required investments.

Step 9: Methodology Development

- Establish processes and tools supporting the strategy.
- Ensure methodologies align with GIAS.
- Update as risks and technology evolve.

Steps 10-12 of the Internal Audit Function's Strategy Process

Step 10: Implementation

- Translate objectives into action plans.
- Assign responsibilities (RACI).
- Monitor milestones and deliverables.

Step 11: Monitoring & KPIs

- Use SMART KPIs to measure progress.
- Link measures to strategic objectives.
- Report regularly to the board and management.

Step 12: Continuous Improvement

- Learn from results and adjust strategy.
- Benchmark against leading practices.
- Embed innovation and agility into the internal audit function.

IPPF Resources Related to Strategy



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Polling Question #3

I am aware of and use the following public sector or general internal audit resources:

- The IPPF including the Global Internal Audit Standards, Topical Requirements and Supplemental Guidance
- Tools for applying the global internal audit Standards
- User Guides and Application Guidance for the new Topical requirements
- Online Exclusives from the magazine for the public sector and other topic areas
- On demand training available for public sector and other topic areas
- The new Quality Assurance certification
- I am aware of and/or regularly use two or more of these resources



IPPF Global Guidance and Tools on Strategy



Developing an Internal Audit Strategy
Global Practice Guide

Companion IIA Audit Tool:
• Internal Audit Function Strategic Plan Template

Aligns with the Global Internal Audit Standards

The Institute of Internal Auditors

GENERAL GUIDANCE



IIA Audit Tool
Internal Audit Function's Strategic Plan
Supports Implementation of the Global Internal Audit Standards™

Domain I Domain II Domain III Domain IV Domain V

The Institute of Internal Auditors

Tool Description

This tool provides a template that the chief audit executive can use to document the internal audit function's strategy as a strategic plan. The chief audit executive should start with the strategic plan process and format used by their organization; however, if the organization does not have a process or format, or the chief audit executive wants an approach more specific to the internal audit function, this template offers an option that enables conformance with the Standards. This template aims to provide a comprehensive choice of available options; however, not all components are relevant or required for all internal audit functions. It should be modified to meet the unique needs of each internal audit function. The Global Practice Guide "Developing an Internal Audit Strategy" provides a completed example in Appendix D.

IIA Audit Tool
Developing an Internal Audit Strategy for a Public Sector Organization: Case Study
Supports Implementation of the Global Internal Audit Standards

Domain I Domain II Domain III Domain IV Domain V

The Institute of Internal Auditors

Tool Description

This case study illustrates how the internal audit function of a public sector organization can develop and implement a strategy that aligns with the Global Internal Audit Standards™ while addressing sector-specific challenges. The individual steps correspond to those described in The IIA's Global Practice Guide "Developing an Internal Audit Strategy" and demonstrate how to build an internal audit strategy in the public sector context.

Background of the Organization

The internal audit function operates within a large public sector agency responsible for regulating and overseeing the energy industry. The agency employs approximately 5,000 individuals, with 20 professionals dedicated to the internal audit function. The internal audit function reports directly to the governing body (board) and senior management. Other key stakeholders include the public and other government agencies.

The agency currently lacks a formal organizational strategy, leaving the internal audit function to independently identify key factors and priorities that should guide its strategic direction. Thus, the function has conducted a thorough strategic scan of its external and internal environment and analyzed the results to understand the challenges and opportunities within the energy sector from an internal auditing perspective and to align the function's activities with the broader public interest.

Purpose of the Internal Audit Function

The internal audit function strengthens the agency's ability to create, protect and sustain value in the public interest by providing the governing body and senior management with independent, risk-based and objective assurance, advice, insight, and foresight.

Step 1: Vision

Vision of the Internal Audit Function

The internal audit function is a recognized strategic advisor, proactively assessing risks and providing well-supported recommendations that help the agency achieve its sustainability and innovation goals. The function promotes transparency, accountability, efficiency, continuous improvement, and trust within the agency and among the public.

Step 2: Strategic Scan

Stakeholder Expectations

- Senior management expects the internal audit function to provide assurance that public funds are being managed with transparency and accountability, particularly in high-profile energy and transportation projects.
- Other government agencies expect the internal audit function to share leading practices and contribute to improved governance in the energy and transportation industries.

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Key Takeaways and Summary



Strategy is important for an internal audit function because it:

- Ensures alignment with organizational priorities and risks.
- Enhances the relevance and impact of internal auditing.
- Provides long-term direction for the function.
- Supports resource planning and quality assurance.

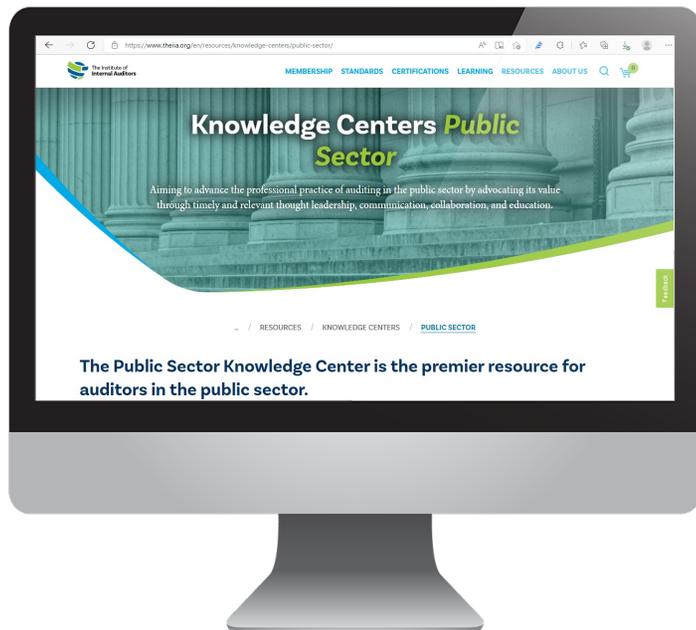
Strategy is different from the annual audit plan.

Strategy should be aligned with organizational objectives and can be developed even when the organization doesn't have one.

Standard 9.4 requires the internal audit function to develop a strategy.

The IIA has guidance and tools to help!

Knowledge Centers: Public Sector



- Dedicated webpage [theiaa.org/publicsector](https://www.theiaa.org/publicsector)
- Aims to advance the professional practice of auditing in the public sector through relevant thought leadership, communication, collaboration, and education.

Public Sector Membership Benefits



- Enhance and Supplement your Knowledge and Skills with Specialized Public Sector Focused Assets
- Explore Opportunities to Expand your Network with other Public Sector Internal Audit Professionals
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Questions?

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Thank you!



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