Developing an IA Strategic Plan

The Bundesbank as an example
DG Audit’s strategy process

Based on “Developing the Internal Audit Strategic Plan”, IIA, 2012

Industry & objectives

Assess the industry to gain an understanding of the strategic objectives in each area

• An audit is organised and executed based on standards
• We are therefore not free to choose which products, services or processes are to be audited
• When drawing up the audit strategy, the management of DG Audit has to abide by standards and guidance

Standards & guidance

Obtain opinions and feedback from all of DG Audit’s stakeholders. Meetings are held with the Board members once a year to ascertain their expectations as stakeholders; the focus below is therefore on 1st and 2nd line functions.

Stakeholder expectations

Vision & mission

Prepare the vision and mission statements.
Vision statement: DG Audit’s contribution to overall organisation.
Mission statement: DG Audit’s values and philosophy.

Critical success factors

SWOT analysis

Measures aimed at supporting, developing, prioritising and implementing the critical success factors

Key initiatives

Analyse the status quo – strengths, weaknesses, opportunities and threats

Derive the critical success factors that are necessary to fulfil the vision
Drawing up a strategy

1. Industry & objectives
2. Standards & guidance
3. Stakeholder expectations
4. Vision & mission
5. Critical success factors
6. SWOT analysis
7. Key initiatives
Underlying assumption: internal auditing helps the Bank adapt to changes in the underlying conditions

<table>
<thead>
<tr>
<th>Impact on the Bank</th>
<th>Conditions</th>
<th>Impact on DG Audit</th>
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<tbody>
<tr>
<td>• Decentralisation and globalisation of processes &amp; outsourcing</td>
<td>Greater decentralisation</td>
<td>• Continue intensive involvement in ESCB Audits</td>
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<tr>
<td>• Greater degree of IT dependency in processes</td>
<td>Higher complexity</td>
<td>• Focus on outsourcing management</td>
</tr>
<tr>
<td>• Juridification increases liability risks</td>
<td>Increasing juridification</td>
<td>• Enhanced IT expertise required</td>
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<td>• Dynamic underlying conditions • More data required to fulfil tasks</td>
<td>Highly dynamic environment</td>
<td>• IT audit is crucial</td>
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<tr>
<td>• Needs-based professional development and recruitment • Greater technical</td>
<td>Rising quality requirements</td>
<td>• Wider range of special legal expertise</td>
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<td>expertise required</td>
<td></td>
<td>• Focus on compliance processes</td>
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<td>Examples, not a complete list</td>
<td></td>
<td>• Enhanced coordination with other auditing &amp; service providers</td>
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<td>• Ex-ante audit approach more important</td>
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<td>• More training</td>
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<td>• Growing importance of audit software and quality assurance</td>
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Marcus Hornung
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Slide 4
Drawing up a strategy

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Mission and definition of internal auditing according to professional standards

**Mission**

To **enhance and protect organisational value** by providing risk-based and objective assurance, advice and insight

**Definition**

Internal auditing is an independent, objective assurance and consulting activity **designed to add value and improve an organisation’s operations**. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
Drawing up a strategy

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Intro to design thinking

Design thinking is based on just a few guiding principles

User-centred
We look at the topic in question from the users’ perspective and put ourselves in the users’ shoes. Users are asked to give feedback at numerous points.

Solution-based
Rather than churning out masses of documentation, we concentrate on developing solutions that can be implemented straight away. We develop tangible prototypes that are often improved in subsequent iterations.

Multidisciplinary teams
Design thinking always takes place in a team. The teams are mixed to ensure that as many different disciplines and perspectives as possible are represented in each team.
Design thinking procedure

Design thinking is defined as “a methodology for innovation that combines creative and analytical approaches and requires collaboration across disciplines.” (d.school)
DG Audit’s objectives are derived from the expectations of the Executive Board and Heads of DG (stakeholders)

**Customer insight days**

**OBJECTIVE**
- Obtain users’ opinions (feedback)
- Determine DG Audit’s current processes
- Collect wishes and expectations concerning cooperation and communication

**PARTICIPANTS**
- Representatives from divisions that have been audited by DG Audit
- A distinction should be made between:
  - Business units that have already been audited and received advisory services
  - The Bank’s 2nd LoD-Functions

**FORMAT & METHODS**
- “Customer insight days”
- Joint development of “customer journeys” to show the audit process from the users’ perspective
Customer insight days are divided into three consecutive steps

**PARTICIPANTS**
From all directorates

**INTERVIEWS**
The first step is to interview the participants using the key questions on “Working together with DG Audit”. The results are collected on post-it notes.

**PERSONAS**
The second step involves clustering the results from the interviews into categories and creating fictitious personas with their key needs and requirements.

**CUSTOMER JOURNEY**
In the third step, the key needs and supplementary points are transferred to the customer journey and assigned to the touch points in the audit process with DG Audit as well as the corresponding emotions.
Personas are actual or stylised users. They help build up empathy and find solutions. Personas are created using demographic data, motives, objectives and values, and, in many cases, also wishes, hobbies and interests.

Person: Martina
- **Name:** Martina
- **Age:** 48
- **Profession:** Head of Section, Banking Supervision

**We have met...**
- open for learning new subject matter
- flexible and willing to try her hand at something new
- experienced but not yet too old
- talks about her holiday, too – is approachable
- doesn’t shy away; wants to understand and help shape the process

**It was interesting to find...**
- that Martina would like to see more interaction and transparency
- that Martina is wondering “what do they actually want?”
- that Martina would like someone to explain what benefits the audit can bring
- that Martina would like more information about DG Audit’s role and objectives, and would also like more support
Mapping customer journeys

A customer journey map shows the points at which a user interacts with their organisation and the associated emotions.

“Pain points” can be identified along the emotional journey. These are interesting starting points to gather inspiration and new ideas for improvements.
Next steps

The results of the customer insight days are consolidated and analysed further in the process labs

CONSOLIDATION
In total, five customer insight days are held with various stakeholders from different areas. The results of the workshops are consolidated afterwards and compared.

INTERFACES
On the basis of the results gathered from the customer insight days and the interviews with management, stakeholders are selected from business units that have been audited and from DG Audit. Together they take these ideas further and analyse them in the process labs.
Next Step: Process Labs with Stakeholders

OBJECTIVE
- Identify possible improvements in current processes
- Develop a draft interface management strategy
- Test and obtain user feedback

PARTICIPANTS
- Representatives from business units and central competency units as well as from DG Audit. A distinction should be made between:
  - Management
  - Employees involved in operations

FORMAT & METHODS
- Process labs
- Joint development of process prototypes as part of interdisciplinary process labs
Drawing up a strategy

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Vision and mission are derived from changes in the underlying conditions and from stakeholder expectations.
Drawing up a strategy

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To accomplish the objectives, DG Audit must fulfil the critical success factors

**“Organisation”: Structure & positioning of DG Audit**
- Organisational and personal independence
- Appropriate organisation of DG
- Cooperation with auditing and advisory service providers
- Perceived as “trusted assurance provider”
- Intensive involvement in ESCB

**“Employees”: Skills & profile**
- Sufficient coverage of required special expertise
- Sufficient knowledge of methods
- Required professional expertise
- Ethical behaviour of employees
- Communication

**“Processes”: Methods & tools**
- Appropriate IT audit approach
- Use of computer-assisted auditing
- “Ex-ante” audit approach
- Sufficient fraud-related audit activities
- Risk-based audit planning
- Consideration of standards & guidance
- Quality assurance through EQAs
- Transparency

Examples, not a complete list
Drawing up a strategy

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**SWOT analysis**

**Internal perspective**
Derived from the results of group work 2

- **S - Strengths**
  Critical success factors that are deemed “fulfilled”

- **W - Weaknesses**
  Critical success factors that are deemed “not fulfilled”

**External perspective**
Derived from the results of group work 1

- **O – Opportunities**
  Opportunities and objectives stemming from the industry

- **T – Threats**
  Threats stemming from the industry

Combining the internal and the external perspectives gives rise to four strategic directions:

- “extend”
- “avoid”
- “catch up”
- “secure”

Example:
- Independence

Example:
- Knowledge transfer and knowledge management

Example:
- Perspective from audits for the Bundesbank as a whole
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We use a kanban board for this purpose
And work through the points in a scrum

1. **PLANNING**
   - 90 min - a day
     - From strategy backlog to tasks where effort involved is estimated
     - Scrum master, product owner, team

2. **DAILY STAND-UP**
   - 15 min
   - Standing up
   - Fixed agenda
     - What have I achieved since the last stand-up?
     - What do I plan to achieve before the next stand-up?
     - What has stopped me (impediments)
   - Scrum master, team

3. **REVIEW**
   - 4h, presentation of results
   - Product owner, scrum master, team, guests

4. **RETEORSPECTIVE**
   - Lessons learned - what happened?
   - What went well? What can we improve?
   - Scrum master, team (product owner)
Any questions?
Cooperation partner

STRATEGIES AND INNOVATION FOR MORE IMPACT

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