Gartner

Gartner for Audit

Your Must-Have Toolkit for Audit Strategic Planning

5 activities that are key to impactful strategic planning

Strategic planning can be an arduous process, but your success during certain phases will differentiate your plan as one that really drives impact.

These five activities are especially important — and you need tools at each stage to capture key data and information for yourself and to share with stakeholders:

1. **Verify the business context.** Confirm the enterprise mission and goals and make sure your audit employees know how they apply to their everyday work. Align your audit goals for impact.
2. **Assess your audit function's ability** to deliver on your goals and create a plan to fill the capability gaps that will slow your impact.
3. **Strategically manage audit budgets** to prioritize cost, budget and investment decisions to favor initiatives that will drive impact — and demote those that won't.
4. **Decide how to measure your progress.** Select measures and metrics that will demonstrate the progress you're making against the commitments you've made.
5. **Document your strategy** — ideally on just one page — to simply and clearly state where the functional organization is, where it is going and how it will get to that future state.

78%

of CAEs say their strategic planning process is too slow, and **72% report** that their strategies become outdated too quickly.

Source: Gartner

Tools and frameworks you'll need

1
Verify the business context

- Strategic Alignment Tool
- Trendspotting
- Prepare for scenario planning

2
Assess your function's capabilities

- Capabilities Assessment Tool
- Audit Skills Diagnostic

3
Strategically manage functional budgets

- Budget & Efficiency Benchmarking Tool
- Cost Optimization Framework
- Gartner BuySmart™

4
Measure your progress

- Guide to cascading metrics

5
Document your strategy

- Strategic Planning Templates

1. Verify the business context

Surface and verify the priorities of the enterprise and your business partners.

First, make sure you understand enterprise business goals well enough to craft a strategic plan for your function that will support enterprise ambitions.

Document both the business context and the likely impact on your function of factors:

- **Within** your function
- **Internal** to the enterprise
- **External** to the enterprise

Key tools for this may include:

- A simple **conversation guide** to focus your conversations with business partners
- **Trendspotting** frameworks to look at drivers of change, including those in the more distant future
- **Scenario planning** activities to align business partners around your hypothetical futures

Understanding the organization's strategy and goals

Organizational Strategy		
Organizational Goal No. 1	Organizational Goal No. 2	Organizational Goal No. 3

Key questions to ask:

- What are the key business objectives for the next one, two and five years?
- What are the organization's core strategies to achieve these goals?
- How does the organization plan to execute these strategies?
- What are current challenges facing the organization?

Source: Gartner

1. Verify the business context

Conversation guide to get business partner perspective and alignment

Questions about that business partner's domain	Notes of your business partner's answer
What are your key business objectives and resultant goals for the next two to five years?	
What are your primary strategies? How do you plan to execute on these strategies?	
What is the direction of the key product line, supply chain, service offerings, etc.?	
How will you know if your unit is successful? What will you measure?	
What are the key success factors that will make or break your unit's success in the long term?	
What major obstacles will the business unit face in reaching these objectives? Are there any specific risks that concern you?	

1. Verify the business context

Understanding emerging trends and risks that could impact assurance needs

No executive leader can predict the future, but you can adopt a deliberate approach to sensing and responding to trends.

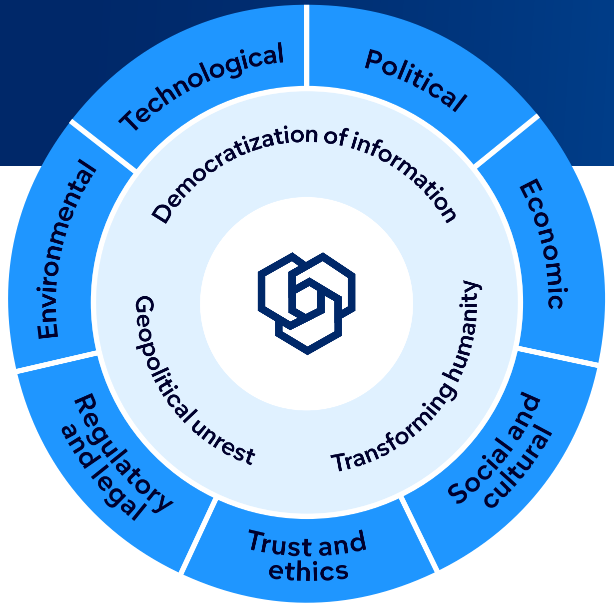
Use a construct like the Gartner TPESTRE of trends to prepare to respond to disruptions and plausible futures. Key considerations are your organization's footprint (existing presence within a market or industry) and foothold (strategic opportunities to expand).

Footprint includes your:

- **Customer base:** established group of loyal customers
- **Operational facilities:** manufacturing plants, distribution centers, infrastructure or supply chains
- **Brand reputation:** market perception of your organization

Foothold includes:

- **Innovation and pilot projects:** testing new offerings with new emerging technologies
- **Partnerships** to gain market insights
- **Acquisitions** to establish a larger presence
- **Targeted marketing campaigns:** gauging interest in a new product or service in new markets



Forces and trends impacting your organization's future

Technological: evolution, impact and disruption of technology change

Political: political attitudes, institutions and legislation shifting the political environment

Economic: factors in the economic environment locally and globally that influence businesses and governments

Social and cultural: attitudes, behaviors and lifestyles of individuals and groups in a society

Trust and ethics: ethical expectations, behaviors, duties and biases of people and companies toward one another and society

Regulatory and legal: changes in laws and governmental policies and regulations to reward or punish a particular behavior

Environmental: technical, political, economic, cultural, ethical and legal changes supporting environmental protection and sustainability

Source: Gartner

1. Verify the business context

Framework to prepare for scenario planning

Good scenario planning requires you to first identify trends likely to create significant risks or opportunities.

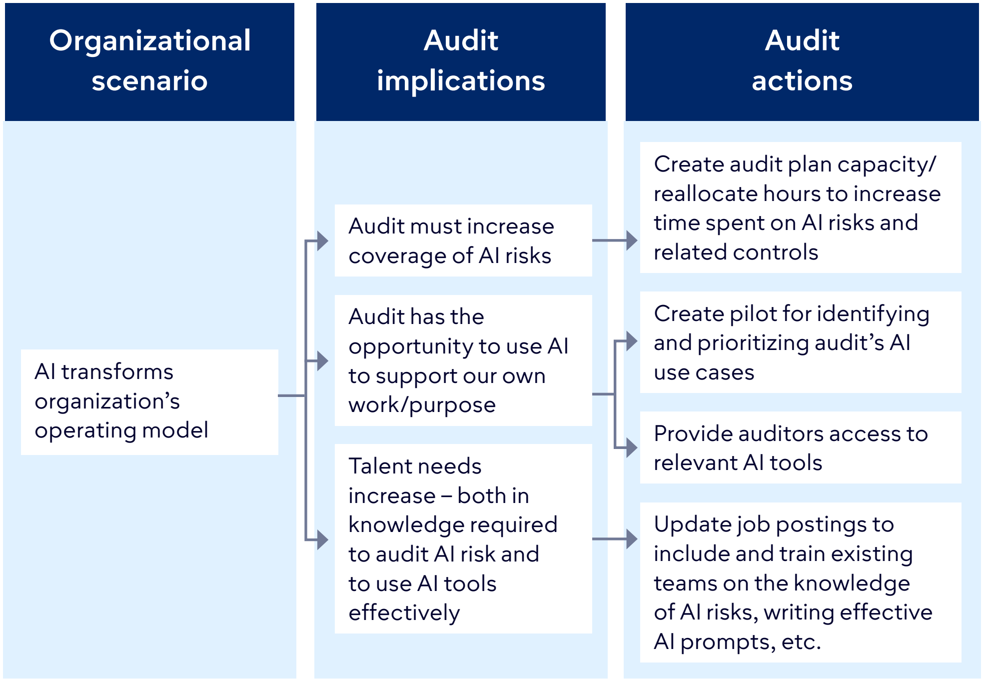
Make sure to:

- **Identify** critical organizational scenarios by referencing organizationwide scenario plans and/or by referring to business stakeholder feedback.
- **Prioritize** scenarios by evaluating implications.
- **Determine** how organizational scenarios would likely impact internal audit, including high-level implications and the actions internal audit would need to take.

From here, categorize and relate trends together to develop scenarios. Develop a storyline for each scenario to test if it seems credible and feasible.

Strategic plans should include actions aligned to whichever scenarios you deem most pressing.

Scenario planning: Audit implications and action plans



Source: Gartner

2. Assess your function's capabilities

Determine how well-positioned your audit function is to deliver on strategy.

To ensure optimal results from strategic efforts, it's critical to assess the role of your function in the enterprise and how well it performs that role. As the enterprise strategy evolves, so will this assessment.

In your strategic planning cycle, make sure to undertake a capabilities assessment soon after verifying the business strategy so you can build a roadmap to improve your effectiveness.

It's important to assess both the availability and maturity of existing capabilities. Take a rigorous approach using a methodology like that taken by the Gartner Score tool.

Measure:

- **Existing performance** across key objectives and activities typically within scope for your function
- Your **maturity** in different activities on a simple-to-understand scale so you can easily compare maturity in different activities and against best-practice levels
- The **criticality of activities** on a simple scale so you can focus on requisites for your function to deliver its contribution to enterprise strategy

The objective of this assessment is to plot a path to maturity for each critical activity.

Did you know?

Gartner clients can customize Score assessment tools for their function, and our analysts are available to walk you through your results and action plans.

2. Assess your function’s capabilities

Benchmark your function’s maturity, capabilities gaps and path to improvement

The Gartner Audit Score is a customizable, comprehensive maturity assessment and prioritization tool for heads of audit and other members of their leadership team. This must-have tool for audit leaders, objectively measures the importance and maturity of six objectives and 25 discrete activities across the entire audit organization, then analyzes the results to provide data-backed guidance on which activities should be prioritized for improvement.

Results from score will help you with the following:

- **Strategic and annual planning:** Understand how well your function is performing in its current state.
- **Functional transformation:** Support short- and long-term planning by clearly identifying next steps and associated resources.
- **Resource allocation**: Ensure strategy and resources align with market opportunities and business needs.

Learn More

Audit Functional Activity Map

Determine assurance coverage	Conduct audits	Engage stakeholders	Develop and manage audit talent	Manage audit methodology operations	Manage the department
Conduct risk assessment	Conduct engagement risk assessment	Communicate with the audit committee	Develop audit talent strategy	Refine audit methodology	Develop audit department strategy
Develop and update the audit plan	Determine engagement scope and objectives	Communicate with senior management	Recruit and retain audit talent	Measure department performance	Manage external partners and vendors
Coordinate with other risk/control groups	Perform fieldwork and testing	Engage with line management	Develop auditor skills and competencies	Manage audit quality assurance	Optimize audit department structure
	Report on audit findings	Drive improvement in risk and control outcomes	Assess auditor performance	Integrate data analytics capabilities	
	Validate and monitor corrective action plans		Guide auditor career paths	Embed audit technology	
	Manage SOX compliance				

Source: Gartner

2. Assess your function's capabilities

Review your audit department's skills

Skills profiles for audit staff change over time, requiring new skills and capabilities. This is especially true when moving toward more complex operational audits and strategic risks reviews. **The Gartner Audit Skills Assessment** is an online, survey-based assessment to quickly identify your current audit department skills and knowledge levels. This assessment will help audit leaders:

- **Define** audit department talent priorities across a comprehensive list of key skills and knowledge areas.
- **Assess** critical skills gaps for the department and for individual auditors.
- **Develop** a long-term talent plan.
- **Identify** training and development opportunities.
- **Provide** career guidance to auditors in the department.

→ Contact Gartner to Learn More

Scenario Planning: Audit Implications and Action Plans

1 Auditing and risk analysis

2 Business and industry knowledge

3 Stakeholder management and communication

4 IT and information security auditing

5 Data analytics and technology skills

6 Financial services industry knowledge

7 Team management and leadership

3. Strategically manage functional budgets

CMOs face an era of doing more with less budget.

Audit leaders face new challenges in managing budgets — and appealing for funding — as the focus at many organizations shifts to fueling growth with productivity and efficiency.

Bottom line, audit leaders are being asked to achieve more with less. That means being as efficient as possible with headcount, technologies, workflows and processes — deploying resources in the most productive way possible.

Audit leaders will need a strategic mindset and tools to apply three best practices in cost management in this environment:

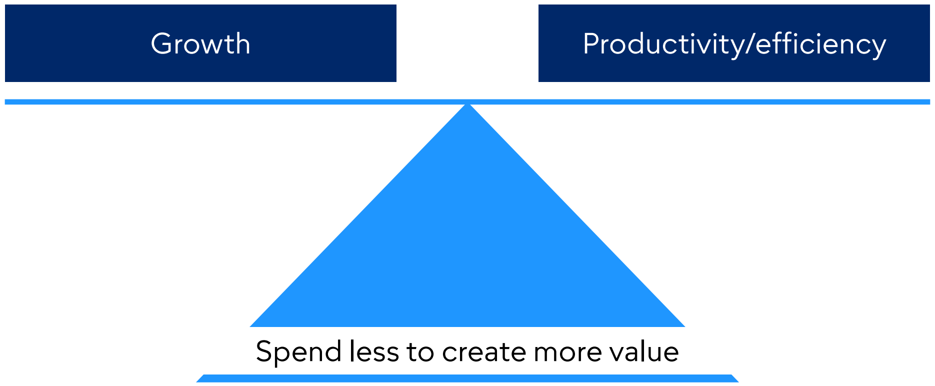
1. **Reallocate funding** from low- to high-potential investments.
2. **Fund growth investments** using costs saved in less important activities.
3. **Use unallocated funds** for as-needed growth investment support.

Technology is one area of spend where every functional leader will need better decision-making tools to select the right vendors and negotiate effectively to assure ROI.

On average, audit departments allocate **77%** of their budget to **in-house staff salaries, benefits and bonuses.**

Source: Gartner

Constrained growth puts the focus on productivity/efficiency



Source: Gartner

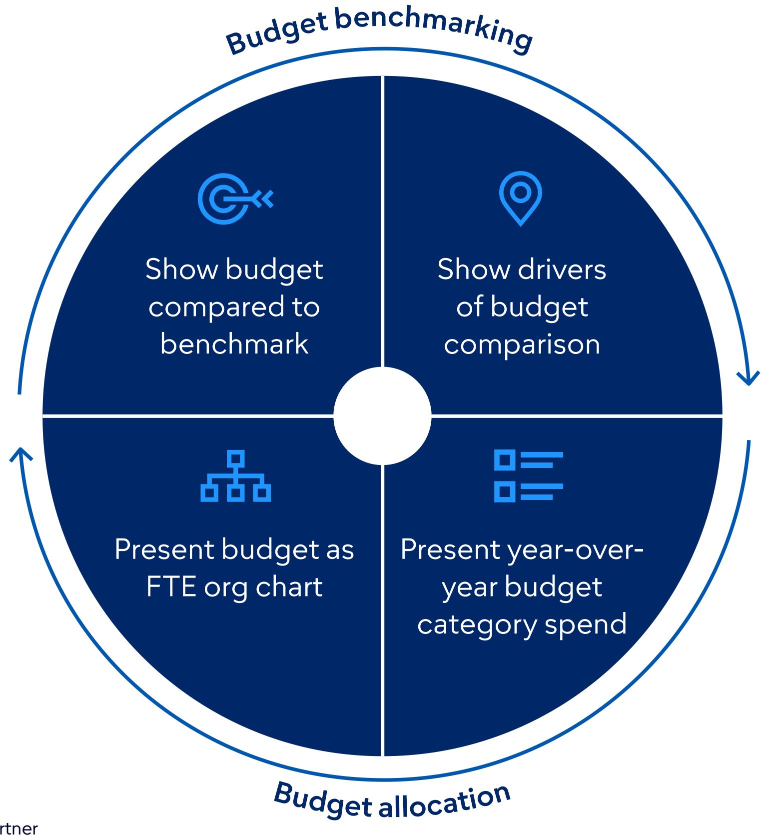
3. Strategically manage audit budgets

Present Internal Audit Budgets for Confident Executive Approval

With executive focus on profitable growth and cost reduction — including G&A/corporate spend where internal audit budgets reside — internal audit leaders must present budgets clearly and contextually. Thirty-seven percent of finance leaders have already taken cross-enterprise or targeted cost actions. Boards and senior executives (CFO/CEO) need more than just a total budget figure; they require clear, comparative and contextual information to make informed decisions.

Present your budget with benchmarks, key drivers and year-over-year trends, and convert figures to full-time equivalents for clarity. This transparent approach enables leadership to quickly understand, evaluate and confidently approve internal audit funding.

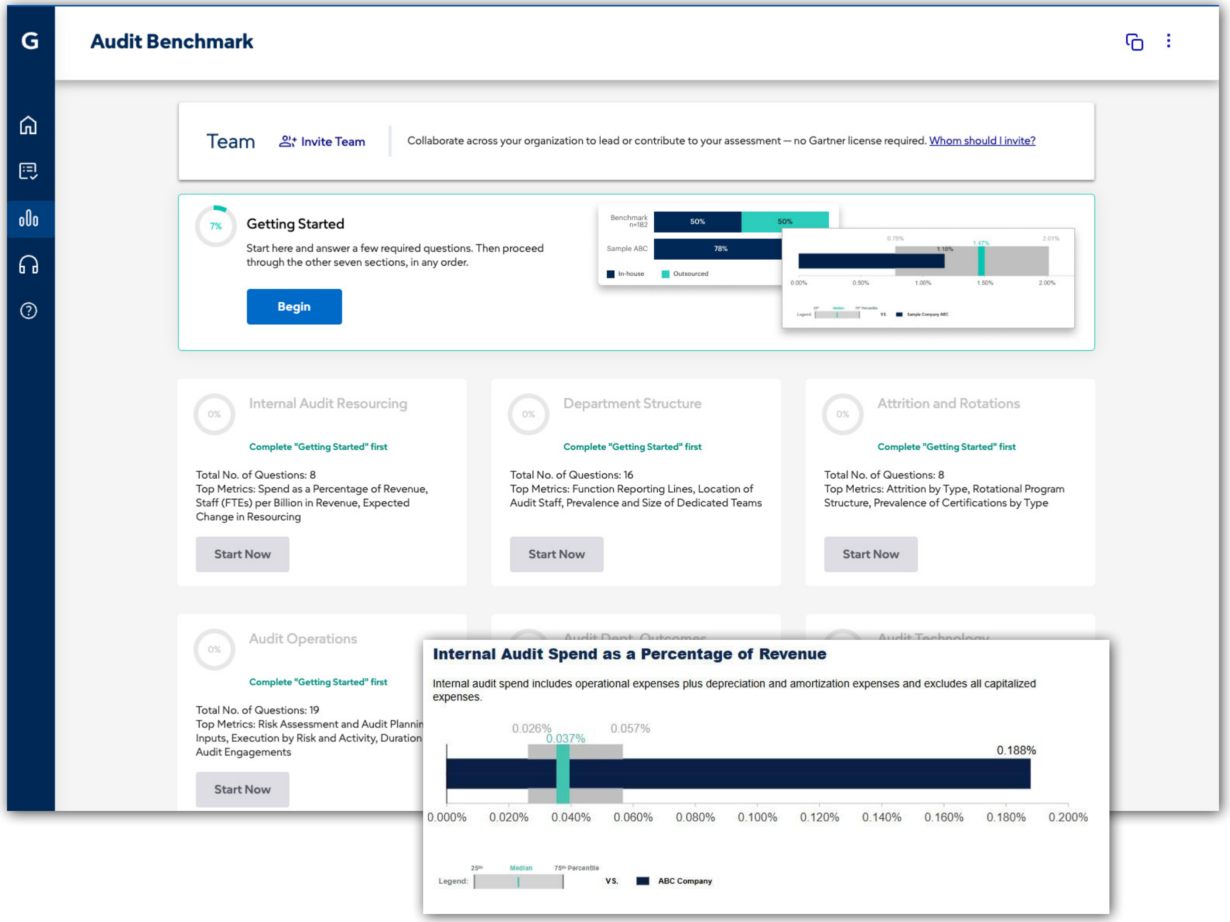
Budget presentation for easier understanding and approval



Source: Gartner

3. Strategically manage audit budgets

Benchmark your audit budget and efficiency against peers



Did you know?

Gartner clients can use the Audit Budget and Efficiency Benchmark to evaluate and optimize investments to support long-term improvements.

→ Contact Gartner to Learn More

3. Strategically manage audit budgets

Framework to map the relative value realization of your cost initiatives

To optimize costs strategically and productively (rather than just cutting), you need to know what drives costs, which costs relate to differentiating capabilities (i.e., value drivers) and what your ROIs are.

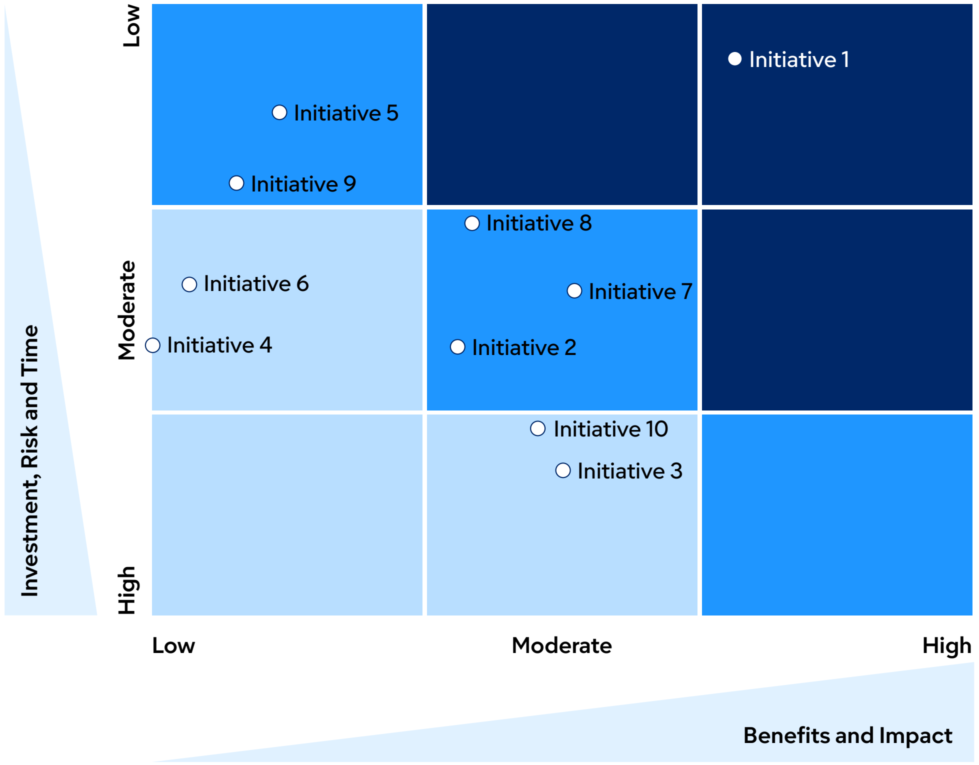
Strategic cost optimization rarely succeeds without three things:

1. Standardized cost management framework
2. Shared understanding of cost-to-value relationships
3. Consistent definition of success beyond cost saving

Use a structure like the Gartner Cost Optimization Framework to refine and visualize your cost optimization ideas by the level of benefit, cost, risk and viability so stakeholders have full visibility into the relative merits of deploying spend.

Learn More

Map your cost optimization initiatives and visualization trade-offs



Source: Gartner

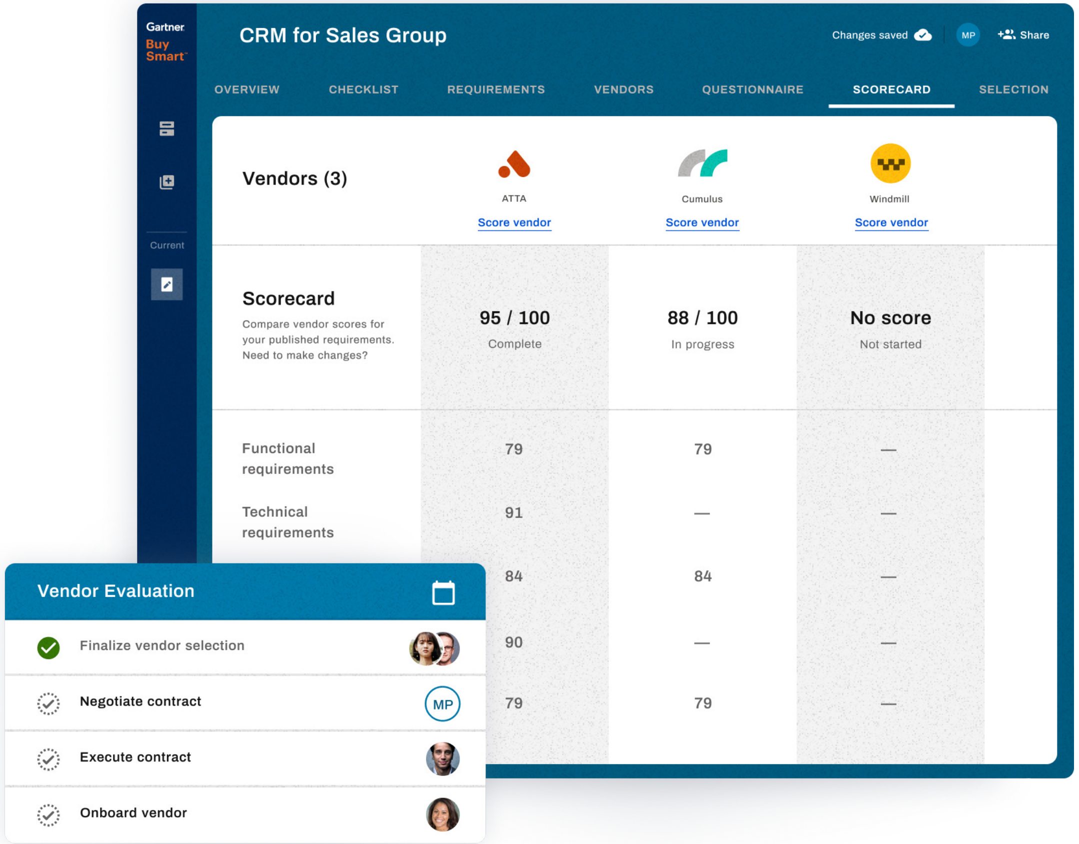
3. Strategically manage audit budgets

Tool to evaluate tech decisions and buy with more confidence

Use the Gartner BuySmart™ tool to get quick access to our proprietary analyst and peer insights and evaluation templates for a wide range of technology vendor solutions.

- **Discover** a wide range of possible technology vendor solutions, driven by proprietary analyst and peer insights and evaluation templates.
- **Evaluate** using requirements, questionnaires, scorecards and more, chosen by and visible to your whole team.
- **Select** vendors using your aggregated team scores to remove bias and clarify decisions.
- **Optimize** your spend and reduce risk with a Gartner analyst proposal review.

→ Learn More



4. Measure your progress

Identify metrics that will show if your plan is working.

Use metrics to assess the function's performance and its progress in delivering on strategy.

It's important to understand the difference between measures (observable business outcomes that show whether your action plans are working) and metrics (the data that quantifies those measures).

To choose meaningful metrics:

- Focus on alignment with strategic priorities.
- Don't overengineer or overpopulate your list of metrics; limit it to a few simple SMART metrics.
- Mix metrics as needed for different dimensions of the business (e.g., customer, operational, human capital).
- Identify which metrics will specifically trigger actions predetermined by your strategic plan.

You will need to revisit your strategic plan as business conditions change; make sure to realign your measures and metrics accordingly.

Whatever metrics you choose must be SMART:

Specificity
The metric is sufficiently granular for the goal it measures.

Measurability
The metric can be measured with reasonable ease and accuracy.

Actionability
The metric can lead to action to improve performance.

Relevance
The metric is aligned to overall objectives.

Timeliness
The metric provides early warning signals of approaching risks or gaps in performance.

Source: Gartner

4. Measure your progress

A guide to selecting metrics that measure your progress toward goals

Goal 1

Objectives

Objective 1	
Objective 2	

Metric 1	Metric 2
Target	Target

Goal 2

Objectives

Objective 1	
Objective 2	

Metric 1	Metric 2
Target	Target

Goal 3

Objectives

Objective 1	
Objective 2	

Metric 1	Metric 2
Target	Target

5. Document your strategy

Provide a single-page overview to simply and clearly communicate your strategic plan.

Your strategic plan defines the roadmap of initiatives and portfolio of investments your function intends to pursue to execute on its commitment to drive business strategy.

Putting your compliance function plan on a single page makes it easier for you to share, summarize and communicate — and easier for business partners to visualize and understand.

One-page templates are meant to provide a summary of your strategic roadmap, not to serve as the overall strategic plan.

Make sure yours contains the initiatives identified as a part of the overall strategic planning process for your function.

See the next page for a simplified view of one Gartner one-page plan (and use the fillable template for your planning), but note that different functions and organizations will need to customize their view, its component parts and level of detail.

Did you know?

Gartner clients can submit documents for review by analysts who can assess and provide feedback and input for your strategy template.

5. Document your strategy

One-page template to capture your strategic plan for easy communication

Vision statement
State where the organization wants to go and what you want to accomplish.

Example: Protect the assets, reputation and sustainability of the organization. As well as perform audit activities designed to assess the adequacy and effectiveness of the organization's internal control systems, and to add value through improving operations.

Statement of strategy
Develop a concise statement to summarize the essence of the plan, the target state and required initiatives.

Example: Provide compelling insights, a risk-based and client-centric internal audit service, and acquire critical thinkers to positively impact the organization.

Current state

4 to 7 key metrics characterizing your current state

Do
- Accurately measure the organization's baseline and progress toward target state
- Capture risks to achieving mission-critical business priorities

Don't
- Create overly detailed metrics related to day-to-day performance

Example: Audit staff with data acumen — 25%

Plan

4 to 7 initiatives required to achieve the target end state

Do
- Reconcile conflicting views
- Build strong buy-in
- Focus resources and attention

Don't
- Push ahead without consensus and buy-in

Example: Recruit, attract and develop new skill sets to meet changing risk coverage needs.

4 to 7 assumptions that must be true for the plan to succeed

Do
- Communicate explicitly
- Specify quantifiable thresholds
- Allow for real-time course corrections

Don't
- Create confusion or disagreement around basis of strategy
- Omit risks that must be mitigated

Example: Use of data analytics will improve audit outcomes, productivity and risk assessment capabilities.

Future state

4 to 7 key metrics characterizing your target state

Do
- Describe the organization's desired end state
- Set goals to determine when the end state will be reached

Don't
- Target scenarios too distant from the current state

Example: Audit staff with data acumen — 55%

5. Document your strategy

Fillable template to outline your own strategic plan on a page

Type in the fields below to complete the interactive form.

Vision statement

Statement of strategy

Current state

4 to 7 key metrics characterizing your current state

Plan

4 to 7 initiatives required to achieve the target end state

4 to 7 assumptions that must be true for the plan to succeed

Future state

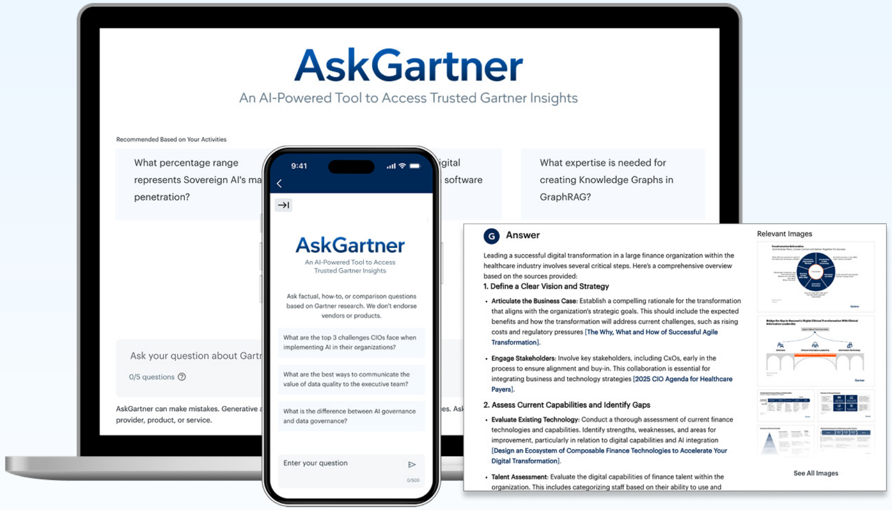
4 to 7 key metrics characterizing your target state

Key questions to ask

Gartner clients can ask questions like these directly on AskGartner.

How do I best communicate to stakeholders what can be achieved with AI given current capabilities?	Explore Answer ↗
How do we strategically rightsize our audit universe to ensure optimal coverage?	Explore Answer ↗
How do we determine when to make substantive shifts in the audit plan and how to present those decisions to key stakeholders?	Explore Answer ↗
How do we effectively embed AI into audit workflows and measure the impact of our AI use?	Explore Answer ↗
How do we get management to more proactively engage in the audit process?	Explore Answer ↗

Your peers use AskGartner to answer these questions in minutes.



Learn More

Actionable, objective insights

Position your audit function for success. Explore these additional complimentary resources and tools:

Webinar

Join a Virtual Event

Hear Gartner analyst insights at an upcoming or recorded event.

Watch Now

Insights

Top Insights on AI for Chief Audit Executives

Access insights that help CAEs lead confidently in an AI-driven environment.

Download Now

Insights

Quarterly Emerging Risk Report

Learn the top emerging risk trends for assurance leaders to monitor and mitigate now.

Download Now

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