The Institute of Internal Auditors Malaysia

Technical Newsletter

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Challenges and Mitigations in Developing and Implementing Internal Audit Strategy

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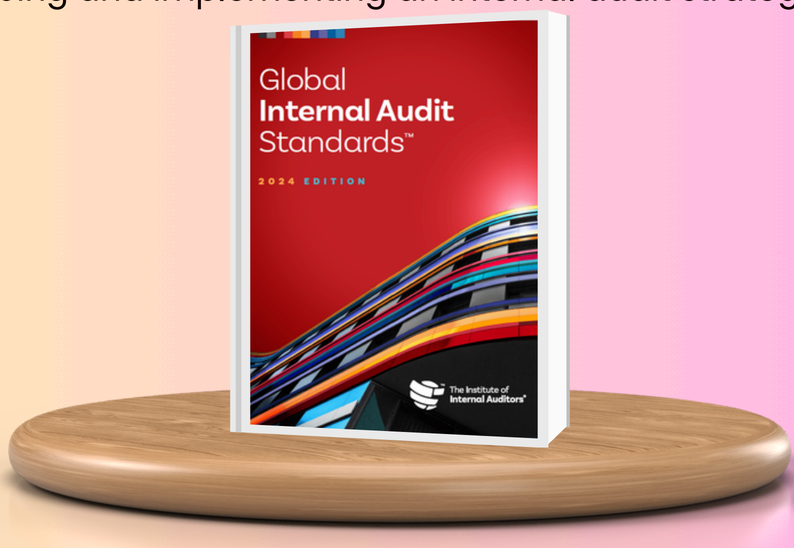
INTRODUCTION

The Global Internal Audit Standards (GIAS), effective from January 2025, require the Chief Audit Executive (CAE) to develop a strategic plan for the internal audit function. This strategy must include a vision, strategic objectives, and supporting initiatives that align with the organisation's overall goals and stakeholder expectations. Additionally, the IIA's Global Practice Guide (GPG) on "Developing an Internal Audit Strategy", published in October 2025, offers practical, iterative guidance on creating and maintaining an internal audit strategy, centred on the function's defined purpose and charter.

The internal audit strategy is different from the internal audit plan. The strategy is a long-term roadmap, typically lasting three to five years, setting out the vision, objectives, and key initiatives for the internal audit function. In contrast, the annual plan is a risk-based operational document that details specific activities for the year. Without a strategy, the internal audit function lacks long-term direction, relying only on yearly plans without a clear path for future development.

While the GPG provides the CAE with a structured, adaptable, and professionally grounded approach to building a strategy, there are challenges in developing and implementing an internal audit strategy. This article highlights the challenges and mitigation in developing and implementing an internal audit strategy.



PART 1 - DEVELOPMENT

1. Limited Access to the Organisational Strategy

Some organisations, particularly in the public sector or smaller entities, either have no documented strategy or do not make it readily available. Without it, the audit strategy risks may be misaligned with the organisation's risks.

To be aligned, the CAE can interview key leaders, review board papers, budgets, annual reports, and public statements to infer the organisation's strategic direction. Where no organisational strategy exists, the CAE can lead by example and advise management on the value of formalising one.

2. Insufficient Stakeholder Engagement

Formulating the strategy in isolation without meaningful input from the Board, Audit Committee, senior management, or business unit heads produces a document that does not reflect what stakeholders actually need. A strategy disconnected from stakeholder expectations will struggle to gain traction or sustained support.

Hence, the CAE in developing the vision needs to consult with the Board, senior management, and other key stakeholders.

3. Superficial Environmental Scan

A poorly conducted strategic scan, one that skims obvious trends without rigorously examining the function's own capabilities, QAIP results, and competency gaps, produces a weak analytical foundation. Strategies built on incomplete intelligence tend to be unfocused, generic, and difficult to prioritise.

The GPG identifies nine specific categories of information that must be gathered, spanning both the external and internal environments. Applying multiple analytical frameworks, such as SWOT, gap analysis, PESTEL, and scenario analysis, provides a more robust and defensible basis for strategy formulation.

4. Objectives That Are Vague or Overambitious

Strategic objectives that are aspirational but unmeasurable, or set far beyond the function's resource capacity, are among the most common development failures. They provide no practical guidance for implementation and, when inevitably unmet, erode the CAE's credibility with the Audit Committee.

All strategic objectives must be SMART — Specific, Measurable, Achievable, Relevant, and Timely. Each objective must have a defined performance measure and a target value. The CAE should pressure-test draft objectives against the current resource baseline before presenting the strategy for Board approval.

5. Inadequate Resource Assessment

A strategy formulated without a realistic appraisal of the financial, human, and technological resources available will remain aspirational rather than implementable. The importance of effective resource management to the successful execution of the strategy is often overlooked during the development phase.

The resource assessment must be integral to strategy development, not an afterthought. The CAE should analyse staffing levels, competency gaps, technology capabilities, and budget constraints, and present a costed resource plan to the Audit Committee alongside the strategy document.

PART 2 - IMPLEMENTATION

6. Lack of Board and Senior Management Buy-In

Even a well-crafted strategy will stall without active support from the Board and senior management. Internal audit is dependent on organisational endorsement for budget, access, and cooperation, and a strategy that has not secured this sponsorship at the outset lacks the authority to drive meaningful change.

The CAE must assist the Board in championing the internal audit function. This can be achieved if the strategic objectives are framed in terms of organisational value — risk coverage, governance quality, and stakeholder assurance rather than internal process improvements. Formal Board approval of the strategy should be sought and recorded.

7. Resistance to Change Within the Internal Audit Function

Audit staff accustomed to current methods may resist the changes demanded by a new strategy, particularly where it calls for new technology adoption, data analytics capabilities, or fundamentally different engagement approaches. This internal friction is often underestimated by CAEs.

The CAE should involve audit staff in the development process to build shared ownership of the strategy's direction. Change should be introduced incrementally where possible, supported by adequate training and supervisory coaching. Gradual process optimisation rather than large-scale disruption is often more effective for internal audit functions.

8. Resource Instability During Implementation

Budget cuts, headcount freezes, or the unexpected departure of key staff can derail strategic initiatives that depend on specific capabilities or financial investment. This risk is particularly acute for technology-driven initiatives or multi-year competency development programmes.

The resource plan should include contingency provisions and identify co-sourcing or guest auditor arrangements that can be activated if internal capacity is reduced. The CAE must maintain open communication with senior management and proactively flag resource-related risks to the Audit Committee when they threaten the delivery of strategic objectives.

9. Difficulty Measuring Strategic Progress

Unlike operational metrics, the progress of multi-year strategic objectives can be difficult to measure objectively. Without robust KPIs and a reporting framework, the CAE cannot demonstrate to the Audit Committee that the function is advancing in the right direction, nor can early deviations be detected and corrected in time.

Each strategic objective must be accompanied by clearly defined performance measures established at the outset. Progress should be reported to the Audit Committee at least annually in a format that tracks actuals against targets and explains variances.

10. Strategy Becoming Stale

A strategy developed in one environment may become disconnected from reality as the organisation evolves through restructuring, leadership changes, regulatory shifts, or emerging risks. A stale strategy, maintained purely as a compliance document without genuine relevance, is in many respects more dangerous than having no strategy at all. The CAE must establish a formal annual review mechanism, aligned with the organisation's planning cycle, to assess whether the strategy remains current. Any of the trigger events identified in the GPG should prompt an immediate out-of-cycle review.

11. Communication Gaps — Internal and External

If audit staff do not understand the strategy, they cannot contribute to it. If stakeholders are not kept informed of progress, they lose confidence in the function's direction. Both failures are common and damaging to the function's credibility and organisational standing.

Communication must be continuous, not limited to the strategy launch. Internally, the CAE should ensure all team members understand the vision, their role in delivering specific initiatives, and how their daily work connects to the strategic objectives. Externally, regular, honest progress updates to the Board and Audit Committee should be tied to measurable outcomes.

SUMMARY: CHALLENGES AND KEY MITIGATIONS

#	Challenge	Key Mitigation
1	Limited access to organisation strategy	Interview leaders; infer strategy from governance materials and board papers
2	Insufficient stakeholder engagement	Structured interviews, surveys, and design-thinking tools; develop vision with Board and management
3	Superficial environmental scan	Use all 9 GPG information categories; apply SWOT, gap, PESTEL, and scenario analysis
4	Vague or overambitious objectives	Apply SMART criteria; pressure-test objectives against resource baseline
5	Inadequate resource assessment	Cost the strategy; present resource plan to Audit Committee alongside the strategy
6	Conflating strategy with audit plan	Maintain clear documentary separation between the two; strategy informs but does not substitute the plan

#	Challenge	Key Mitigation
7	Lack of Board buy-in	Frame strategy around organisational value; seek formal Board approval and documentation
8	Internal resistance to change	Involve staff in development; introduce change incrementally with training and coaching
9	Resource instability	Build contingency plans; maintain co-sourcing options; flag risks to Audit Committee promptly
10	Difficulty measuring progress	Define KPIs per objective from the outset; report via scorecard to Audit Committee annually
11	Strategy becoming stale	Annual review aligned to org planning cycle; trigger-based out-of-cycle revisions as needed
12	Communication gaps	Continuous internal and external communication; progress updates tied to measurable outcomes

CONCLUSION

The challenges explored in this article are not exceptional circumstances — they are predictable obstacles that every CAE will encounter in some form. What distinguishes a high-performing internal audit function is not the absence of these challenges, but the discipline and foresight to anticipate and address them. The IIA GPG and GIAS 2024 provide the professional framework to do so. The greatest risk in internal audit strategy is not getting the content wrong — it is failing to treat strategy as an ongoing leadership discipline, rather than a periodic documentation exercise. A well-developed, actively communicated, adequately resourced, and continuously reviewed strategy is the foundation for a truly impactful internal audit function.

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