

Strategic Plan 2012 – 2016

*Accelerating the relevance of
Internal Audit*



The Institute of Internal Auditors - Netherlands
FINAL - September 2012

Introduction

In the ever increasing complexity, changes and risk exposures at companies¹, the Internal Audit Function (IAF) is excellently positioned to objectively challenge, advice and support Boards and (Senior) Management in maintaining a healthy organisation that supports sustainable developments, while adding value. We are convinced that the IAF is potentially indispensable in evaluating and improving the effectiveness of risk management, control and (internal and corporate) governance processes, albeit that it is generally not yet fully recognised as such.

There is clearly room for The Institute of Internal Auditors - Netherlands (IIA NL) to better align with key stakeholders and understand their needs, to make a stronger contribution to the development of the IAF and to continuously improve service levels to its members. We need to be more relevant for our members and stronger connect both internally and with the outside world.

End 2011, the renewed IIA NL Board initiated a strategic review inspired by the IIA Global strategy and with input from IIA NL Committees. The paper in front of you is the result of a process including detailed analysis and discussions on strategic themes, consultation rounds with Chief Audit Executives, Sponsors/Partners, Sister Professional Associations, IIA NL members and international alignment. The strategy process has been concluded through a dialogue with key stakeholders represented in the IIA NL Advisory Board.

IIA Core Purpose, Values and Vision

The IIA NL Core Purpose, Core Values and Vision are consistent with the 2012 - 2016 Global Strategy Paper.

Core Purpose	Core Values	Vision
To advance the profession and its value for society, corporations and government	Collaboration - Courage - Diversity - Global Mindset - Innovation - Integrity - Service Excellence	IAF is recognized as indispensable to effective governance, risk management, and control

Key Success Factors

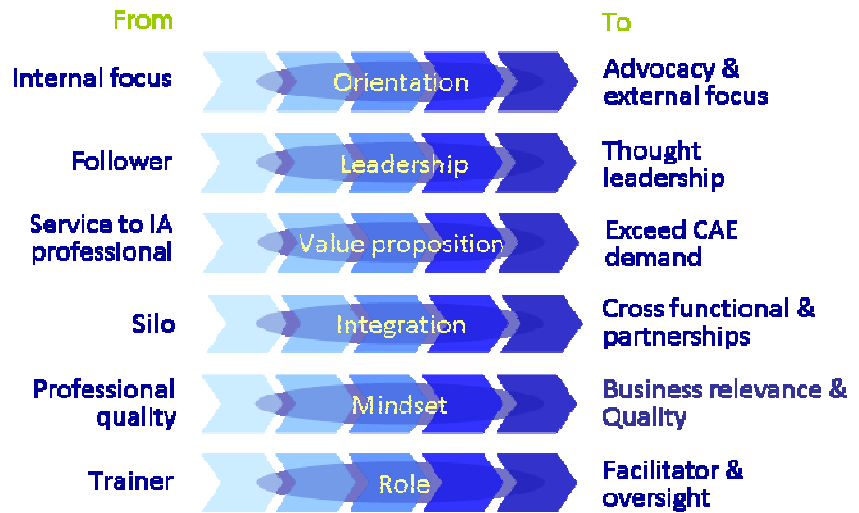
1. Successful advocacy of the IIA NL position on topics in the field of governance, risk management and assurance
2. Better understand our stakeholders' expectations
3. Insight in membership needs
4. Clear positioning relative to NBA and other sister professional associations
5. Leverage the network of Chief Audit Executives
6. Clearly define the skills its members will need to be competent in the future
7. Strong alliances with professional partners and universities
8. Strong marketing and communication
9. Motivated team of volunteers supporting this strategy
10. Stay connected with IIA Global & European developments and advocacy messages

¹ Organizations in the widest sense

Strategic Plan 2012 – 2016

The strategy aims to accelerate the IIA NL transition (illustrated in the picture) to become more relevant to its members and key stakeholders by developing and demonstrating Thought Leadership on the Internal Audit profession aligned with global developments.

In a strong collaboration with others operating in the field of governance, risk management and assurance, we will better support IAFs in delivering higher (perceived) value to their stakeholders.



The Strategic Plan 2012 - 2016 is built on 3 main strategic pillars (as illustrated in the picture below): (A) stronger focus on advocacy, (B) improved IIA NL value proposition and (C) enhanced internal audit professionalism. The IIA NL organization and internal governance (D), finance strategy (E) and connection with IIA Europe & Global (F) should enable effective implementation of this strategy. Volunteers, Chief Audit Executives (CAEs), Sponsors/Partners & Ambassadors play a key role in the execution of the strategy.



This strategic plan is ambitious. The annual planning process should provide focus on key priorities and the Board will actively monitor the progress of implementing this new strategy.

A. Stronger focus on advocacy

Objective: 'The IIA NL will achieve a step change in the relevance of internal auditing, becoming indispensable in governance'

Key strategies

A.1 Focus on advocacy role

- Connect with stakeholder and interest groups (CEO/CFOs, Audit Committee members, CAEs, Governance bodies & Regulators, Professional Associations, Press/media, Sponsors/Partners)
- Develop advocacy plan
- Collaborate with partners, universities and CAEs on the advocacy agenda
- Define key advocacy messages / respond to actual Audit Committee topics / sell IIA quality assurance better / update IIA NL Position Paper
- Structured communication strategy and plan

The perception of some of IIA NL's stakeholders does neither match the current positioning of many IAFs, nor the IIA NL's ambition for the role of IAFs. The current reality is that the starting point for IAFs is not the same, as some IAFs have a somewhat traditional mandate, whereas others may be leading edge, consistent with the latest views expressed on the profession. In line with this diverse reality, stakeholders also hold different perceptions on the role and purpose of an IAF.

The IIA NL Board holds a belief that a better understanding of the potential mandate for IAFs across key stakeholders will contribute to an overall strengthening of governance. This belief should be translated in a limited number of key messages which can be used consistently in all communications. Throughout these communications a segmented approach towards stakeholders should recognize the different needs of organizations. We have identified many stakeholders, but will put focus on the most important groups. Buy-in from CAEs for these key communication messages is a critical success factor, as in their own role they also have an opportunity to influence their stakeholders, such as Board members and sector-specific regulators. In general, the advocacy role will evidence the IIA NL Board's outward focus. We will balance our engagement between a 'pull' approach by listening to our key stakeholders and understanding their needs and a 'push' approach by communicating about our role.

Key strategies

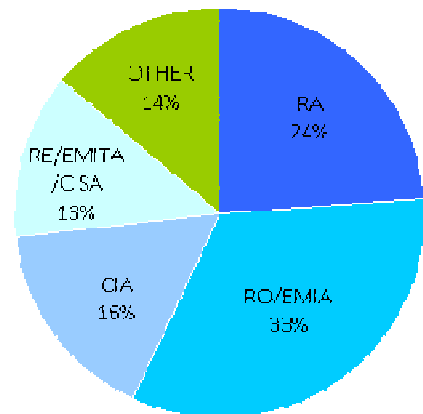
A.2 Establish and manage alliances with related professional bodies and partners

- Clarify positioning relative to Nederlandse Beroepsorganisatie van Accountants (NBA) and other sister professional associations
- Build and enhance strategic partnerships

The IIA NL aims to be the institute of choice on internal auditing, providing thought leadership on the internal audit profession (see also B.1) and representing internal auditors with different backgrounds. The pie chart shows the different professional backgrounds of IIA NL members as per May, 2012.

As 24% of the IIA members are also member of the professional association of certified accountants (Nederlandse Beroepsorganisatie van Accountants, NBA) the positioning of IIA versus NBA needs to be clarified to the shared members. In the interest of these members the roles of IIA NL and NBA need to be complementary. We also need to ensure that stakeholders have a clear understanding of the different and complementing roles of internal auditors and external auditors/accountants in the field of governance. Collaboration and alignment with NBA will be ensured in order to support the shared memberships in the most effective way.

IIA NL Memberships by Title



As IT audit competence is relevant for most IAFs and 13% of the IIA NL members have an IT audit qualification, collaboration of IIA NL with NOREA/ISACA needs to be further developed.

Also, cooperation of IIA NL with the Controllers Institute needs to be established in order to combine business controlling and operational auditing perspectives for professional developments and advocacy. We will also establish contact with the Risk Management group (e.g. FERMA) to explore synergies.

With a variety of stakeholders, IIA NL holds different other partnerships, such as (Big4) audit firms and specialist service providers to IAFs. On top of their (financial) support role to IIA NL, many of these partners are in different ways involved in (corporate) governance and internal auditing. Their views are crucial to the overall standing of the IAF and each in their own right aim for some form of thought leadership. Finding common grounds and win-win activities with these strategic partners should result in the necessary synergy to enhance the prominence of internal auditing.

B. Strong IIA NL value proposition

Objective: 'The IIA NL will deliver a strong value proposition for current, future and former internal auditors, so they experience their membership as a must-have'

Key strategies

B.1 Increase value to members and grow the number of memberships

- To be the Institute of choice, working together with other professional bodies
- Analyze (movements in) membership base
- Differentiate on membership models and service levels and develop stronger CAE services

- Strengthen sector focus (for example Financials, Other Industries, Small Audit Departments, Government), while maintaining sharing knowledge and develop the profession across sectors

The IIA NL should be the logical choice as the professional association for everyone involved in internal auditing or related governance and risk management disciplines. Therefore it is necessary to have clearly stated what membership brings. IIA NL will provide a platform to share knowledge with peers and discuss themes supporting the development of the IAF. IIA NL will ensure alignment with European and Global IIA developments on providing standards, best practices, training and quality assurance. Through our advocacy plan, we will have frequent dialogue with main stakeholders on a national and international level. IAFs can contribute and benefit. The value of the IIA NL membership will be clearly communicated through several channels.

The membership database is of great value, which - when analyzed well - provides insight in the composition and movements in the membership base. Therefore, a lot of effort will be put on regularly analyzing - and reclassifying if necessary - the membership database. Future changes in the membership database (including inflow, outflow and the composition) will (also over the years) be structurally mapped and optionally lead to appropriate action. These insights combined with identifying membership needs are the base for tailoring our services to members' needs.

As an association for internal auditors it is very important to have a clear common view of the discipline in which we operate and to learn from the interesting differences that exist. Where possible and desirable, the association will differentiate more in the coming years in offering its services. The current spread of memberships by sector is as follows: Financial Services (47%), Government (24%), Industry and others (15%), and members who work as a service provider (14%). Improved insights into our membership base will support this differentiation.

More than half of our current members are members through a group membership. It is therefore important to have a good dialogue with these members and continue to offer the service they expect. Apart from this, CAEs are a very important group of stakeholders within our association. For this stakeholder group a specific CAE service will be developed in the coming years, in line with similar initiatives in the United Kingdom, Australia and the U.S. For other groups such as our young professionals, almost 20% of our members, the current initiatives will be strengthened.

In the next few years the IIA NL has also opportunities to attract new members. We will analyze in depth which companies and industries offer opportunities. Subsequently, the right actions will lead to new members. Furthermore opportunities will be explored to attract entirely new groups of members, such as members of Audit Committees. The latter group is also extremely important in the context of our Advocacy focus.

Key strategies

B.2 Facilitate the stronger positioning of IAF in career development

- Develop and promote vision on the relevance of IAF in career development
- Attract business talents for IAF and establish tailored service (i.e. Training) and new memberships

More and more companies value the IAF as an opportunity in career development. An IAF is considered an interesting breeding ground for talents shaping their careers, as one can gain good business and process understanding, work in cross-functional teams, and develop analytical and communication skills. More frequent (a) employees move from the business to IAF and (b) auditors move to different kind of functions in the financial line and beyond. Therefore it is of great importance to the IIA to establish a clear vision on this subject, to promote this vision and to support it with the right services.

This can be done by:

- Providing basic audit skills training and tools for employees who temporarily work as internal auditor, leveraging on what is available in IIAs in other countries.
- Embedding learning materials regarding our profession within major curricula of other important disciplines; disciplines that are related to internal audit and that will have the potential to deliver future IAF staff.

To really connect with employees who are temporary internal auditors, IIA NL will have to put extra effort in to realizing this, because establishing a good relationship makes a departing auditor a good ambassador for the IAF.

C. Enhance professionalism

Objective: 'The IIA NL provides thought leadership for the development of high-performing internal audit functions (and professionals)'

Key strategies

C.1 Adjusted way on development, training and education

- From trainer to facilitator with oversight
- Participate in setting the standards for a high quality, value adding internal audit learning program at universities
- Maintain an Internal Audit Competence Framework (use of global framework)
- Cover related training/development (and permanent educational) needs (with partners versus in-house)
- Continue to promote the Register Operational Auditor (RO) and Certified Internal Auditor (CIA) franchise, and Continuous Professional Education (CPE) regime
- Meet training needs of new auditors, business people/non-auditors
- Increased offer of roundtables, providing platform for knowledge sharing and development

IIA's focus on professionalism is captured through the Clusters Academy and Professional Practices. The Academy will support the IIA NL members with communicating a professional view

on what IAFs need in terms of education and skills, and what individual auditors at various experience levels need to know (based on the IIA NL Competence Framework and current insight in stakeholder needs). In addition, the Academy will guide/advise its members on where and how that knowledge can be captured. The Academy will enter into strategic partnerships with some leading universities and with various training partners/institutes and the Academy will make sure that the quality and content provided matches the IIA requirements. Whereas the bulk of training may be provided through preferred partners/suppliers, IIA NL will continue to provide training in-house (possibly with partners) on areas relevant for professional development and advocacy.

Besides educational efforts, it is important to facilitate our members with events /meeting moments/ creating platforms to share ideas, to meet peers, to feel part of the IIA NL family and to share a common understanding of IIA principles and professional practices, enriched by industry best practices. The Annual Conference will be maintained as key event and the place to be.

The Academy will also promote and test that our IIA NL / SVRO (Stichting Verenigde Register Operational Auditors) members comply with the minimum required PE points. The marketing around the titles RO and CIA is captured through the cluster Marketing and Communications.

The Cluster Professional Practices will place even more focus on Round Tables, as they provide excellent opportunities for sharing practices and develop vision on certain themes. Roundtables are not primarily for PEs, but should support professional development and advocacy messages. Subsequently, results from these roundtables can be used in training, seminars and courses.

In addition, this cluster will continue to write high-quality papers on current topics in order to help members to performing their audit work as professionally as possible and guide other stakeholders in using audit results. The increased frequency of IIA NL publications/ media messages will support the IIA ambition on advocacy.

Key strategies

C.2 Enhance and expand quality assurance services

- Create a level playing field on quality by strongly promoting the IIA standards, incorporating them into internal audit training and permanent education and using them in quality assurance reviews
- Improve oversight of the Quality Assessment Board (CKT; College Kwaliteits-toetsing)
- Evaluation with NBA and NOREA for endorsing IIA standards for CKT
- Enhance relationships with and use of selected partners for execution of Quality Assurance Reviews under supervision of the CKT

The framework, reporting and monitoring of the Quality Assurance Review program will be reviewed. Quality Assurance Reviews will not only be a compliance review, but will also provide input on how the IAF might improve its overall effectiveness and relevance to its stakeholders.

Evaluations with NBA, NOREA and feedback from reviewed organisations, should provide further direction to the program.

The Quality Assurance Review Program is also considered key for the advocacy plans; the IIA stands for a high quality IAF.

D. Adjust IIA NL organization & internal governance

Objective: 'Ensure the IIA NL organization and internal governance are designed to effectively support the implementation of the revised strategy'

Key strategies

- Ensure active participation of all IIA NL Board Members in realizing the strategic plan. Clearly define tasks and responsibilities of all IIA NL Board members
- Professionalize IIA NL organization; rationalize committees and ensure strong connection between members, committees and IIA NL Board (i.e. linking pins)

Roles and responsibilities of IIA NL Board members on the implementation and monitoring of the revised strategy have been defined. The committee structure will be reviewed and brought in line with the revised strategy.

The internal organization, including the activities outsourced, is under review and will be further professionalized in order to support the new strategy in an optimal way. The set up of a professional practices desk will be investigated.

E. Redefine finance strategy

Objective: 'Maintain a sound financial position'

Key strategies

- Develop a new earnings model and differentiate membership fees
- Resilience capacity
- Research (SVO) funds and allocation
- Review fixed cost structure

An adjusted and sustainable finance strategy is required to support the effective execution of the strategy and maintain a healthy financial condition. The finance strategy consists of the following key aspects:

1. The earnings model is under review in the light of the revised strategy. The change of focus in the Academy related activities will result in less direct income from training

participants. The new earnings model is based on the following assumptions, which require further review in the second half of 2012:

- Fee agreements need to be made with preferred partners delivering training courses promoted by IIA;
 - Explore possible effects on membership fees based on a more structured collaboration with other professional associations (i.e. NBA);
 - Fee for dedicated CAE service (to be established) to be defined and expected to grow in next 3 years;
 - Sponsorships to be continued but may shift to more non-financial contributions;
 - Balance between annual membership fees (for services supporting the IAF development) and quality review fees (for testing the IAF quality every 4 to 5 years) to be reviewed;
 - Differentiation of membership levels (from bronze to gold?) and fees to be explored and reviewed against structures applied in leading sister IIAs;
 - The effect on the annual group and individual membership fees will be reviewed and adjusted 2013 fees will be presented to the next ALV for approval. It is expected that the membership fee will strongly increase to reflect the improved service levels in the coming years
2. Parallel to bringing the support organization in line with the new strategy, the efficiency of processes will be looked at which should result in (fixed) cost savings.
 3. Key indicators for financial strength are under review.
 4. IIA NL has a close relationship with a Foundation (Stichting Vaktechnisch Onderzoek) to fund research and development initiatives. These initiatives will be supportive to the revised IIA NL strategy.

F. Stay connected with IIA Europe & Global

Objective: 'Contribute to professional development and advocacy internationally and leverage on IIA international developments'

Key strategies

- Play key role in European IIA (ECIIA) network for developing the function and advocacy activities
- Ensure alignment with IIA Global strategy and contribute and leverage on international developments

In order to play a key role in ECIIA network, we focus on:

- Supporting the representative from IIA NL in the Management Board of ECIIA

- Becoming member of the Academic Relations Task Force
- Providing articles to the ECIIA magazine “European Governance”
- Sharing and learning best practices in the European CEO meetings
- Providing feedback on draft ECIIA position papers
- Collaborating on European Advocacy initiatives
- Attending the General Assembly

Alignment with IIA Global developments will be ensured by:

- Providing input to IIA Global Strategy and aligning the IIA NL strategy
- Providing active contribution to the Global Advocacy Platform
- Participating in the Global Executive Leadership team
- Leveraging on the global CAE executive service initiative and active contribution to CAE roundtables
- Providing input on new initiatives related to standards and certifications
- Supporting the IIA NL member in the global Board
- Nominating volunteers for the international committees
- Participating in the Global CEO meetings
- Attending the Quality Forums