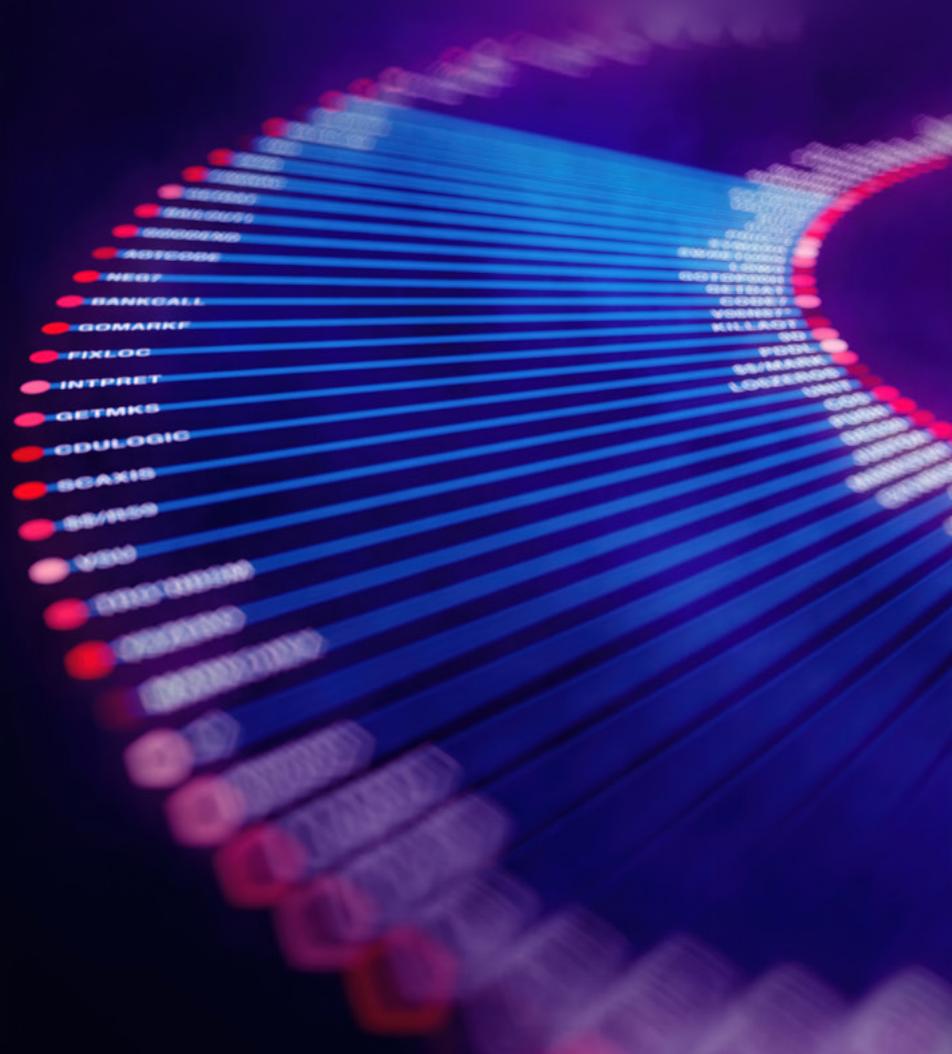




# Internal Audit of the Strategic Planning Process

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# Auditing the strategic planning process



**The Institute of Internal Auditors (IIA) standard 2110 states that one of the key tasks of the internal audit function should be to assess and deliver appropriate recommendations to improve the organization's processes in making strategic and operational decisions. Our experience, however, shows that the strategic planning process (SPP) itself is rarely audited.**

The SPP translates the purpose, mission and vision of an organization into an actionable plan with goals and KPIs to enable the monitoring of progress. The purpose, mission and vision embodies what the organization stands for and what it wants to achieve in the long term, or in other words, the reason the organization exist. To accomplish this mission and fulfill the vision, an effective strategy should be defined to set the priorities of the organization and the necessary short- and long-term investments. The strategic plan should enable your organization to fully embed the strategy into the operations of the entire organization. In order to successfully implement the chosen strategy, the strategic plan should be closely monitored to measure success and adjusted, where needed.

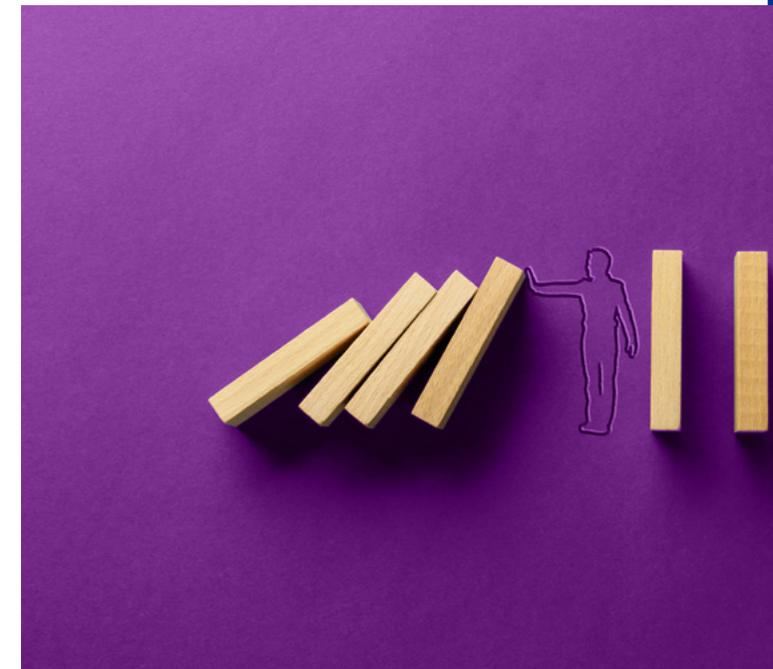
Although defining and executing a strategy is an integral part of every company, we note that companies struggle with various aspects of the SPP. These struggles show that **simply having an SPP in place is not enough**. The strategy and the accompanying SPP should be translated and embodied into the financial ambition, business model and operating model of your organization. The brand, the products and services offered, as well as the channels used, must reflect and manifest what is formulated in the strategy and corresponding ambition.

In addition, the strategy and SPP should be incorporated into all the design layers (layers that together form the organization, such as the processes, technology, etc.) of the operational model (the configuration of all the layers in order to deliver value).

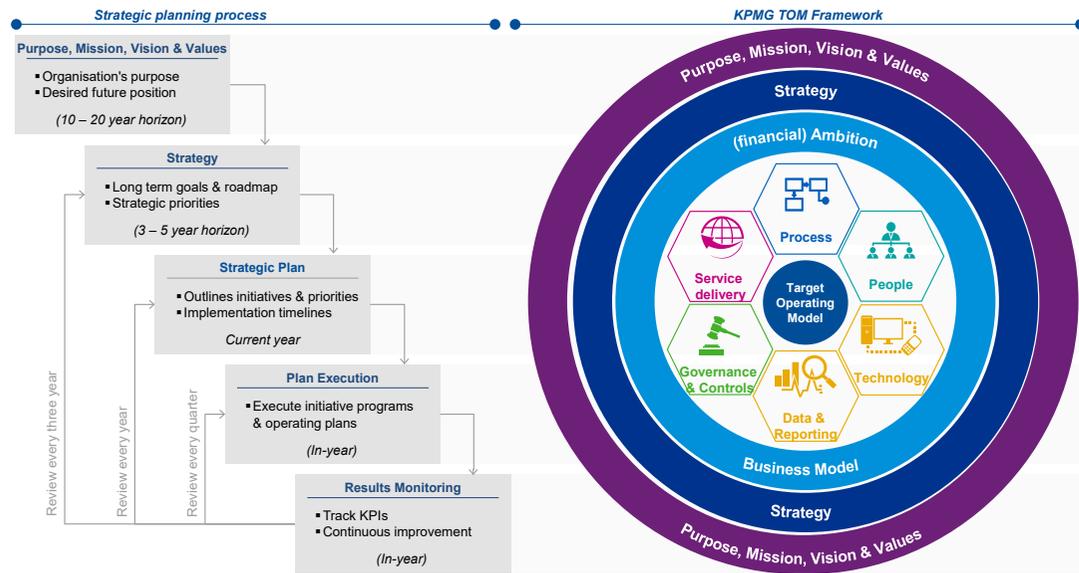
## **Not having a proper strategic planning process in place brings with it a number of risks:**

- Not being able to identify (all) internal and external trends that may impact the organization
- Not achieving the strategic goals
- Losing market share
- Spending resources, time and money without achieving the desired result
- Lacking accurate KPIs to assess the actual situation, leading the organization to steer blindly
- Having an imbalanced view of the situation by focusing too much on near-term financial goals and losing sight of other strategic and short-term objectives
- Not linking the strategic plan to the operating plan, resulting in a disconnect between the strategy and operations

Given the importance of this process, the Board of Directors and its Audit Committee should expect their internal audit function to provide meaningful insights and unbiased opinions. Ensuring the organization is well equipped to execute its strategy and to respond to the changing environment, as well as the results of its own monitoring, should be one of the top concerns of the Chief Audit Executive. The internal audit function should not only be able to **respond to the risks provoked by not having an SPP in place**, but must also be able to **assess whether the business is executing the process in the best possible manner**.



# Auditing the strategic planning process



Process				People	Technology, Data & Reporting	Governance & Controls	Service Delivery
Strategy	Strategic Plan	Plan Execution	Results Monitoring				
Purpose, Mission, Vision & Values	Long Term Goal Definition	Goal cascading	KPI & Progress Tracking	Performance Driven Culture	Strategic Planning Process Tools	Governance	Alliances & Partners
Market & Trend Analysis	Investment Strategy	Initiative Sponsor & - Executor	Forecasting	Competence Management	Technology Review	Decision Making	Insource vs. Outsource
Proposition & Brand Analysis	Strategic Priority Selection	Initiative Alignment	Reporting	Training plan	(Interactive) KPI Dashboard	Roles & Responsibilities	
Customer & Channel Analysis	Strategic Timeline	Communication	Corrective Actions	Strategic personnel planning	Data Management	Strategic Planning Platform	
(Financial) Ambition Alignment	Business Model Implications	Change management	Budget Updates	Strategy Culture		Review & Improvement	
Strategy Definition	Operating Model Implications			Leadership		Charters & Policies	
Stakeholder involvement	Change Management Analysis					Risk & Controls	
Communication Plan	Initiative Programs/ Business Plans						
Strategic Documentation	Operating Plans						
Strategic Planning Process	Budgeting						
	Metrics & Targets Definition						

## KPMG's Strategy Internal Audit program

Although strategy and its incorporation into the planning process is a tale as old as time, we note the complete absence of a comprehensive audit program that covers all relevant components of the SPP. As a response, KPMG gathered a multidisciplinary team of professionals with expertise in internal audit as well as strategy to develop our "Strategy Internal Audit" work program. The

audit program is based on the KPMG Planning Process and KPMG TOM framework developed by KPMG's Strategy team. In addition, our internal audits are carried out in accordance with the KPMG audit methodology, which adheres to the international internal audit standards as prescribed by the IIA.

Note that the purpose of the audit is not to audit the strategy in place or to monitor the strategy's correctness, given external and internal trends. The focus is on auditing the creation of the strategy, the follow-up process and its integration into all components of the organization.

# Why conduct an internal audit?

## Protect and enhance business value:

the internal audit's activities not only provide assurance but also deliver insights into the business, which may be leveraged to improve the business processes or gain a competitive advantage.

## Ensure you have the right target operating model (TOM) to realize the strategy:

internal audit checks whether the SPP has been translated into the existing operating model. Without an alignment of the strategy to all layers of the organization, it will struggle to distinguish itself from its competitors.

## Strengthen the ability to reach strategic goals:

having a well-functioning SPP increases the chance of achieving strategic goals and remaining relevant, as a company, in a rapidly changing environment. An internal audit of the SPP reveals gaps and areas for improvement.

## Enhance operational efficiency:

internal audit can provide insight into the implementation of the SPP and its underpinning systems to identify where time and money are being wasted and what aspects are frustrating the company's management and employees.

# The KPMG Difference

**KPMG has profound experience and a tested methodology to deliver solutions across the spectrum of internal audit as well as strategy advisory services.**

## We differentiate ourselves by our:

**Flexible methodology** - KPMG's Internal Audit methodology is rigorous yet tailored to each company's specific needs.

**Expertise** - Our team of professionals, with expertise in internal audit as well as strategy, has the skills and knowledge to provide strategic internal audit services that meet varied needs across a wide range of industries.

**Multidisciplinary team and approach** - KPMG is as a one-stop-shop and supports organizations with the implementation of possible points of improvement uncovered by the Internal Audit. We have access to a wide range of competencies within KPMG, and our experienced and highly-qualified core team can always turn to appropriate subject matter experts.

# Contact our team



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