

**INTERNAL AUDIT MANUAL
CHAPTER IV – PERFORMANCE MONITORING AND
EVALUATION**

1. Performance Evaluation

Periodically assessing performance and addressing opportunities for improvement can help maximize the efficiency and effectiveness of the internal audit function. Measuring performance is also the means whereby the internal audit's own performance is assessed and internal audit is held accountable for the use of its resources.

Since the Audit Committee is responsible for reviewing the performance of internal audit, the performance indicators must be mutually agreed upon by the Audit Committee and the Internal Audit Specialist.

1.1 Measuring Internal Audit Performance

- Performance assessment has three (3) interrelated elements:
 - a. Performance measurement, which refers to the systematic analysis of performance against goals taking account of reasons behind the performance and the influencing factors.
 - b. Rating, which refers to the judgment of progress – good or bad – based on indicators. This can also include rating another performance dimension.
 - c. Indicators, which are used to verify if progress towards results has taken place.
- The key performance indicators (KPIs) used to measure performance should:
 - a. Focus on matters that receive the highest priority;
 - b. Align with the internal audit strategic plan and annual work plan;
 - c. Be measured over time in order to identify trends against both qualitative and quantitative targets;
- Good KPIs include measurement of the following:
 - a. Timeliness and cost of audits;
 - b. Quality of audits, including quality of evidence-based findings and realistic courses of action;
 - c. Auditee's survey on the extent of impartiality, professionalism, communication, and due care in managing the internal audit;
 - d. Number of audit findings approved by the Audit Committee;
 - e. Number of recommendations implemented by the auditee;
 - f. Number of audit support activities undertaken;
 - g. Internal audit staff satisfaction;
 - h. Overall contribution made by the internal audit function.

**INTERNAL AUDIT MANUAL
CHAPTER IV – PERFORMANCE MONITORING AND
EVALUATION**

1.2 Internal Audit Annual Performance Report

- The Audit Committee reviews the performance of internal audit at least semi-annually upon identifying the progress in implementing the internal audit strategic plan and annual work plan.
- The report should contain:
 - a. Comments on the internal audit activities and any variance from approved plans;
 - b. Progress in the implementation of the internal audit strategic plan and completion of the annual work plan;
 - c. Highlights and challenges during the period;
 - d. Overall contribution of internal audit in managing the organization's internal control deficiencies; and
 - e. Issues that may require attention in relation to the internal audit function.
- A summary of the internal audit reports could be included in the Audit Committee's semi-annual report.