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1. Performance Monitoring and 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 judged and internal audit is held accountable for its functions and use of resources. By adopting appropriate indicators, implementing a rigorous performance measurement regime and acting on the results, internal audit can demonstrate that it "practices what it preaches", thus encourage acceptance of its role within the organization.

The Audit Committee is responsible for periodically reviewing the performance of the internal audit. They would normally approve the performance indicators used.

2. Steps in Performance Evaluation

2.1 Determine Key Performance Indicators (KPI)

- It is important that the KPIs for internal audit are aligned with the internal audit strategic plan and the annual work plan and help drive the performance that the organization expects for the IAS.
- It is also important that performance is measured over time in order to identify trends, and that performance is measured against both qualitative and quantitative factors.
- KPIs include measurements of the IAS accomplishment per audit engagement, such as:
 - a. Timely completion of each audit engagement;
 - b. Benefits exceed the cost of audit;
 - c. Cost of audit is within the approved budget;
 - 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; and

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h. Overall contribution made by the IAS.

2.2 Design Performance Monitoring Reports

- The IAS should design performance report forms to collect data in between and during each audit engagement and audit support activities, aligned with the KPIs. The report forms should provide for the relevant information regarding the IAS performance outputs on a per engagement basis summarized on a periodic basis.

2.3 Prepare Evaluation Report


- It is good for the IAS to prepare an evaluation report on its performance after an audit engagement for the information and advice of the Audit Committee.

3. Performance Monitoring by the Internal Audit Specialist

The Internal Auditor shall direct the conduct of audit progress assessment based on a monitoring plan utilizing KPIs and conduct two types of performance monitoring, as follows:

3.1 Review of Progress Assessment Report

- Focuses on whether or not:
 - a. Audit objectives are met as reflected in the audit findings and recommendations;
 - b. Findings and recommendations are based on facts and substantial evidence and in compliance with relevant laws, rules and regulations;
 - c. Internal Auditing Standards (PGIAM and other relevant standards) pursuant to COA and DBM rules and regulations are applied;
 - d. Findings and recommendations promote the adequacy of internal control pursuant to COA and DBM rules and regulations; and
 - e. High standards of ethics and efficiency of public officials and employees are observed pursuant to CSC rules and regulations.
- Progress Assessment Report shall be subject to the approval of the Audit Committee.

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3.2 Review of Completion Assessment Report

- Focuses on the:
 - a. Overall effectiveness and efficiency of the IAS in accordance with DBM and COA rules and regulations and the agency’s policies and standards;
 - b. Findings and recommendations which are based on facts and substantial evidence and in compliance with relevant laws, rules and regulations;
 - c. Application of internal auditing standards (PGIAM and other relevant standards) pursuant to COA and DBM rules and regulations;
 - d. Findings and recommendations which promote the adequacy of internal control pursuant to COA rules and regulations; and
 - e. High standards of ethics and efficiency of public officials and employees are observed pursuant to CSC rules and regulations.
- Completion Assessment Report shall be subject to the approval of the Audit Committee.

4. Performance Evaluation by the Audit Committee


The authority and responsibility for the exercise of the mandate of LBP Resources and Development Corporation (LBRDC) and for the discharge of its powers and functions shall be vested in the President and Board of Directors, who shall have the supervision and control of LBRDC.

The IAS is an integral part of LBRDC which provides assistance to the Audit Committee and performs functions delegated by the Audit Committee.


Work performance of the IAS is evaluated by the Audit Committee as part of supervision and control. They shall monitor and evaluate the performance of the IAS either through: (1) Review of the Internal Audit Report or (2) Review of the IAS Performance Report as follows:

4.1 Review of the Internal Audit Report

- At the conclusion of each audit engagement, the IAS submits to the Audit Committee an Internal Audit Memorandum and the Internal Audit Report - prepared in conformity with the standards set by COA, DBM and the PGIAM.

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- In the review of the Internal Audit Report, the Audit Committee shall also consider adherence of the IAS on the following:
 - a. The hierarchy of the applicable internal auditing standards and practices (discussed in Chapter 1);
 - b. All audit findings are formulated and synthesized based on the 4Cs, to wit: (1) criteria – laws, regulations, policies; (2) conditions – a fact, backed up by substantial evidence; (3) conclusion – evaluation of criteria and condition that could either result in compliance or non-compliance; (4) cause – probable cause;
 - c. Findings are supported by sufficient audit evidence and the quantum of evidence required to support an audit finding is substantial evidence.
 - d. Its recommendations are feasible, cost-effective and cost-efficient, find sufficient basis in law, evidence-based and classified according to the following:
 - 1. Preventive actions – refer to determined actions of the organization to eliminate the causes of potential noncompliance in order to avoid their occurrence;
 - 2. Corrective actions – refer to an organization’s actions to eliminate the causes of noncompliance in order to avoid recurrence.
 - e. At any point during the audit, when significant risks/issues arise, the IAS will prepare an Interim Report to the Audit Committee to communicate findings, issues, and problems that may affect the conduct of the audit and may expose the organization to considerable risks. The Interim Report contains the following:
 - 1. Gaps or control deficiencies/breakdowns noted during the documentation of the components of the ICS and the key processes in the operating and support systems;
 - 2. Gaps or control deficiencies/breakdowns found out after the conduct of the review and evaluation of the flowchart and narrative notes or conduct of the walkthrough; and
 - 3. Gaps or control deficiencies/breakdowns after the conduct of the test of controls.

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4.2 Review of the IAS Performance Report


- At the close of every fiscal year, the Audit Committee shall review the performance of the IAS through the various reports/outputs (i.e., baseline assessment report, assessment of control significance and materiality and control risk report, assessment of internal audit risk report, annual audit plan, audit engagement report, audit follow-up report and performance monitoring evaluation report) that are submitted to their office.
- The Audit Committee who is directly responsible for the installation, implementation and monitoring of ICS, shall review the adequacy of the internal audit as part of the ICS.

5. Oversight over Internal Audit Services

In addition to the performance monitoring and evaluation conducted by the Internal Auditor and the Audit Committee, oversight functions over the IAS are also performed by the Commission on Audit (adequacy of IAS as part of ICS) and LBP-HOSTAD (efficiency and effectiveness of IAS as part of ICS).

In the course of evaluating the ICS, COA or LBP-HOSTAD may request the IAS, through the Audit Committee, to submit documents that will allow them to determine the adequacy of the IAS as part of the ICS. Among the documents that may be submitted (if applicable) are as follows:

- A. Internal Audit Memorandum;
- B. Baseline Assessment of the Internal Control System;
- C. Assessment of Control Significance and Materiality and Control Risk;
- D. Assessment of Internal Audit Risk;
- E. Annual Internal Audit Plan;
- F. Internal Audit Report;
- G. Internal Audit Follow-Up Report;
- H. Performance Monitoring Evaluation Report

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6. Request for Opinions/Rulings/Interpretations from COA/CSC/DBM

Audit findings and recommendations resulting from the audit conducted by the IAS shall be submitted to the Audit Committee for approval, pursuant to its authority and responsibility to exercise supervision and control of the corporation. Once approved, the same shall be subject for implementation.

Approved audit findings and recommendations for implementation may be appealed by the auditee who has been adversely affected to the Audit Committee. They may also request for opinions/rulings/interpretations on the issues involved from any of the following (if applicable):

A. Commission on Audit

- Under AO 1987 shall have an exclusive authority to “promulgate accounting and auditing rules and regulations”

B. Civil Service Commission

- pursuant to EO 292, empowered to “promulgate policies, standards and guidelines for the Civil Service”

C. Department of Budget and Management

- Under AO 1987, “shall be responsible for the efficient and sound utilization of government funds and revenues”