

Delivering on the Promise

Measuring Internal Audit Value and Performance

MANAGEMENT



Closer Look

Jane Seago



About CBOK

SURVEY FACTS

Respondents	14,518*
Countries	166
Languages	23

EMPLOYEE LEVELS

Chief audit executive (CAE)	26%
Director	13%
Manager	17%
Staff	44%

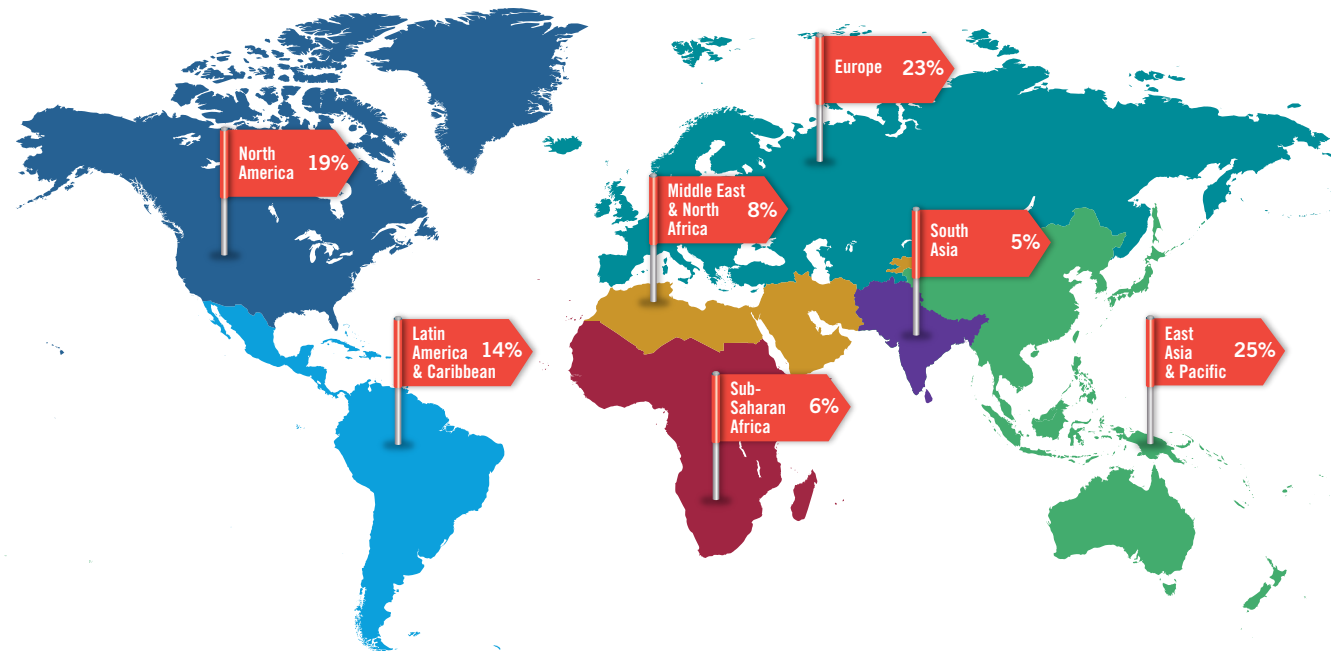
*Response rates vary per question.

The Global Internal Audit Common Body of Knowledge (CBOK) is the world's largest ongoing study of the internal audit profession, including studies of internal audit practitioners and their stakeholders. One of the key components of CBOK 2015 is the global practitioner survey, which provides a comprehensive look at the activities and characteristics of internal auditors worldwide. This project builds on two previous global surveys of internal audit practitioners conducted by The IIA Research Foundation in 2006 (9,366 responses) and 2010 (13,582 responses).

Reports will be released on a monthly basis through July 2016 and can be downloaded free of charge thanks to the generous contributions and support from individuals, professional organizations, IIA chapters, and IIA institutes. More than 25 reports are planned in three formats: 1) core reports, which discuss broad topics, 2) closer looks, which dive deeper into key issues, and 3) fast facts, which focus on a specific region or idea. These reports will explore different aspects of eight knowledge tracks, including technology, risk, talent, and others.

Visit the CBOK Resource Exchange at www.theiia.org/goto/CBOK to download the latest reports as they become available.

CBOK 2015 Practitioner Survey: Participation from Global Regions



Note: Global regions are based on World Bank categories. For Europe, fewer than 1% of respondents were from Central Asia. Survey responses were collected from February 2, 2015, to April 1, 2015. The online survey link was distributed via institute email lists, IIA websites, newsletters, and social media. Partially completed surveys were included in analysis as long as the demographic questions were fully completed. In CBOK 2015 reports, specific questions are referenced as Q1, Q2, and so on. A complete list of survey questions can be downloaded from the CBOK Resource Exchange.

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Future



**Global
Perspective**



Governance



Management



Risk



**Standards &
Certifications**



Talent



Technology



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Executive Summary

The ever-increasing complexity of business in an always-on, globally connected world means that there is a growing list of ways that internal auditors can deliver value to their organizations. They can provide assurance over specific aspects of the business, offer insights and recommendations to maximize return on organizational activities, and present objectivity to decision makers—all of which deliver on internal audit's value proposition. However, as a practical matter, time and resources are limited. How can internal auditors identify and focus on the activities that are of most value to their clients and key stakeholders?

This report presents a step-by-step process to ensure that expectations are understood and agreed upon, and appropriate measures are developed to drive and track performance. Readers can use it to compare their value and performance practices to other organizations based on insights from the CBOK 2015 Global Internal Audit Survey, the largest ongoing study of the internal audit profession in the world. These insights can help practitioners at all levels deliver on the internal audit value proposition of assurance, insight, and objectivity.

Introduction

In 2010, The IIA recognized a need to capture a simple, memorable, and straightforward way to help internal auditors convey the value of their efforts to important stakeholders, such as boards of directors, audit committees, management, and clients. To that end, the association introduced the Value Proposition for Internal Auditing, which characterizes internal audit's value as an amalgam of three elements: assurance, insight, and objectivity (see **exhibit 1**).

But identifying the conceptual elements of value is only part of what needs to be done. How does that construct look in the workplace? What activities does internal audit undertake that deliver the most value? What should be measured to determine that the organization's expectations of value are being met? How does internal audit organize and structure the information that populates the metrics? And, most critically, do the answers to all these questions align; that is, does internal audit's perception of its value, as measured and tracked, correlate with what the organization wants and needs from the internal audit function?

Exhibit 1 The Internal Audit Value Proposition



ASSURANCE = Governance, Risk, Control

Internal audit provides assurance on the organization's governance, risk management, and control processes to help the organization achieve its strategic, operational, financial, and compliance objectives.

INSIGHT = Catalyst, Analyses, Assessments

Internal audit is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business process.

OBJECTIVITY = Integrity, Accountability, Independence

With commitment to integrity and accountability, internal audit provides value to governing bodies and senior management as an objective source of independent advice.

Source: The Internal Audit Value Proposition graphic is used by permission from The IIA. All rights reserved.

These are the kinds of questions the CBOK 2015 global practitioner survey posed to chief audit executives (CAEs) from around the world. The activities these CAEs believe bring value to the organization are consistent with the three elements of The IIA's value proposition. In fact, the nine activities identified by CAEs as adding the most value can be mapped directly to the three elements, as shown in **exhibit 2**.

However, in looking at the performance measures and tools used by the organization and the internal audit function, a gap appears to form between value-adding activities and the ways performance is measured. This report explores that gap in greater detail and clarifies the respondents' view of value-adding activities, preferred performance measures, and the methodologies and tools most commonly used to support internal audit's quality and performance processes. Where appropriate, responses tabulated by geographic regions and organization types are examined.

Finally, based on the findings, the final chapter of the report provides a series of practical steps that practitioners at all levels can implement to help their internal audit department deliver on its value proposition of assurance, insight, and objectivity.

Exhibit 2 The Internal Audit Value Proposition (mapped to response options from the CBOK survey)



Note: The activities listed in this graphic are from the response options to Q89: In your opinion, which are the five internal audit activities that bring the most value to your organization? The Internal Audit Value Proposition graphic is used by permission from The IIA. All rights reserved.

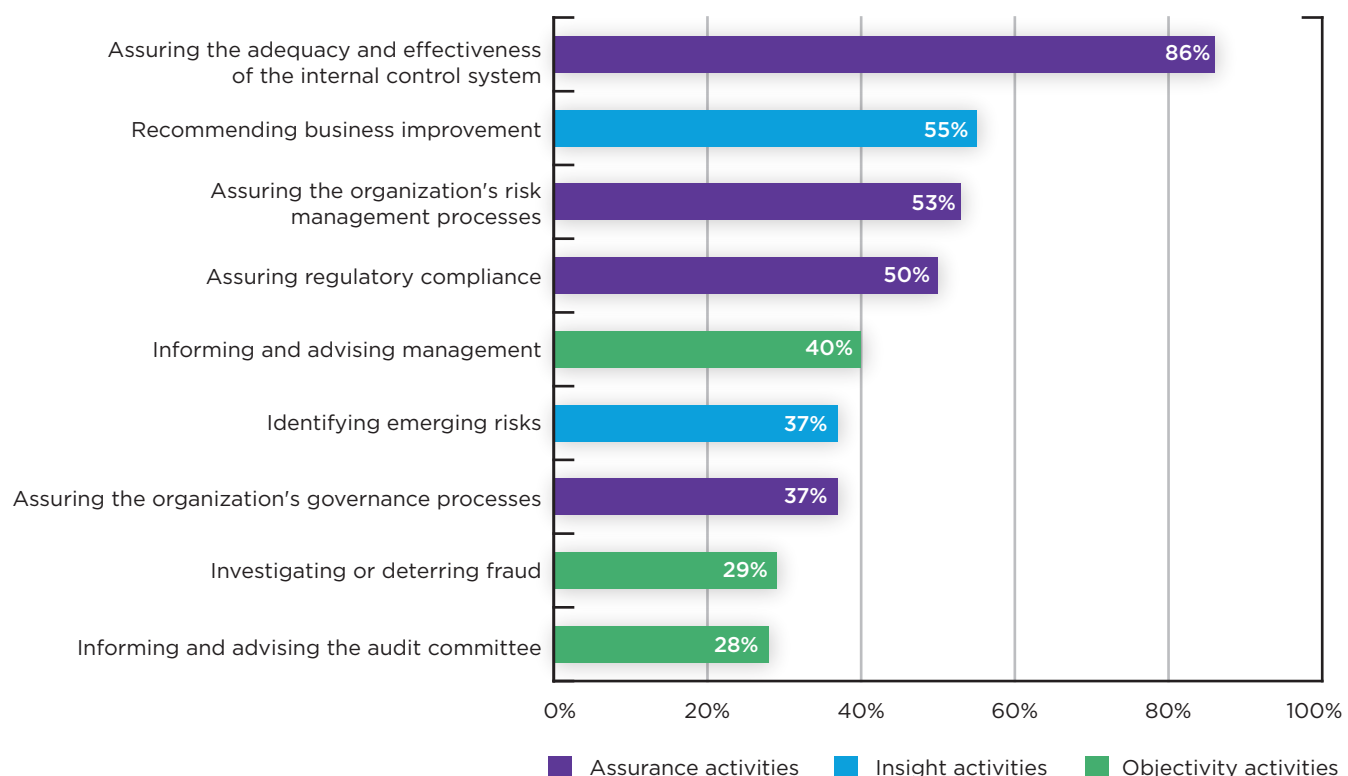
1 Delivering the Value of Internal Audit

Internal audit practitioners around the world are providing value to their organizations in a wide variety of ways. The CBOK 2015 practitioner survey listed 14 internal audit activities and invited CAEs to select up to five that they believe bring the most value to their organizations. Nine of those 14 are noted as being used by at least one-quarter of the respondents, indicating a fairly broad global

consensus on what constitutes value (see **exhibit 3**).

It is probably no surprise that “assuring the adequacy and effectiveness of the internal control system” is the most commonly selected activity by a wide margin, more than 30 percentage points higher than the second most often indicated option. The usage of other activities was broadly distributed. As the colored bars

Exhibit 3 Audit Activities That Bring Most Value (CAEs Indicating Their Top Five Choices)



Note: Q89: In your opinion, which are the five internal audit activities that bring the most value to your organization? (Choose up to five.) CAEs only. Purple bars are assurance activities, royal are insight, and green are objectivity, as related to The IIA's Internal Audit Value Proposition. $n = 2,641$.

“Most work on assurance focuses on assessing the effectiveness of controls (Is the control followed?) and less work or no work at all is done on assuring the adequacy of controls (Has the control been designed properly to mitigate risk?). If auditors are to add value to the business, they should not only assess whether a procedure is followed but also determine whether that procedure can mitigate the risk.”

—Augustino Mbogella,
Chief Internal Auditor, NMB,
Dar es salaam, Tanzania

in **exhibit 3** show, there is a mix of the three elements of internal audit’s value proposition—assurance (purple), insight (blue), and objectivity (green)—but the highest percentages are for assurance.

In the area of insight, more than half of respondents say that “recommending business improvement” is an important way they add value, which is a strong, positive sign that internal audit is going beyond assurance in many organizations. In addition, it is significant that more than one-third of the CAEs indicated “identifying emerging risks” as an important value-adding activity. This aligns with the current focus on risk-based auditing, says Tania Stegemann, executive audit manager, CIMIC Group Ltd, Melbourne, Australia. “It is critical that auditors understand the key risks facing the organization as well as the key controls in place. This is fundamental to risk-based auditing and should form the basis of the annual audit plan.”

For the area of objectivity (or objective advice, represented by green bars), about a third of respondents say their top five value activities include “informing and advising management,” “investigating or deterring fraud,” or “informing and advising the audit committee.”

It is important to remember that survey respondents were asked to only choose their top five activities, so they were limited in how many activities they could select. This means that they may be involved in other areas, but they did not choose them as a top five value driver.

Value drivers can vary from one organization to the next for many reasons: industry sector, organization type, management preferences, geographic region, and regulatory requirements, to name a few. For details on value-adding internal audit activities by organization and region type, see **exhibit A1** and **exhibit A2** in the appendix.

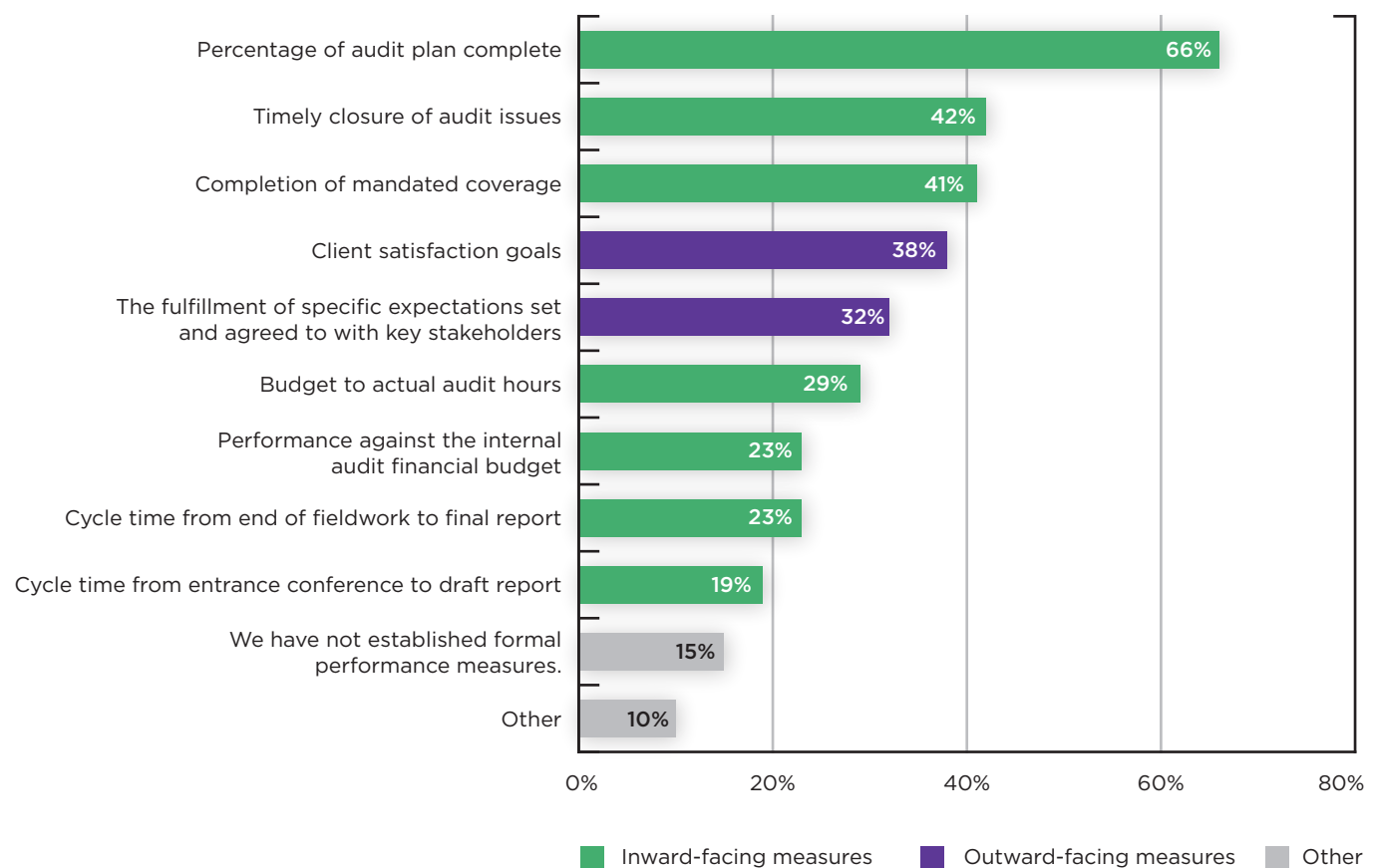
2 Rating the Performance

Because of the nature of internal auditing, perhaps few professions are more aligned with the conventional management wisdom “you can’t manage what you can’t measure.” Add to that the secondary precept “what gets measured gets done” and it is not surprising that the CBOK survey included a detailed

question on the measures used to evaluate internal audit’s value.

The respondents were offered nine response options for the question “What specific measures does your organization use to evaluate the performance of its internal audit activity?” and invited to select all that apply (see **exhibit 4**). The

Exhibit 4 Measures Used for Internal Audit Performance (CAEs Choosing All That Apply)



Note: Q90: What specific measures does your organization use to evaluate the performance of its internal audit activity? (Choose all that apply.) Green bars are inward-facing measures, purple bars are outward-facing measures, and gray are other options. CAEs only. $n = 2,641$.

top selection, by a considerable margin, was “percentage of audit plan complete,” chosen by 66% of respondents (this percentage was similar to the CBOK 2010 survey results). “Timely closure of audit issues” and “completion of mandated coverage” were virtually tied for a somewhat distant second at just over 40%.

In considering the meaning of these top three choices, it is useful to note the difference between inward-facing and outward-facing measures. Inward-facing measures focus on how work is done internally and, very generally speaking, tend to incline toward administrative efficiency. Outward-facing measures focus on the customer’s satisfaction (the ultimate recipient of the benefits provided by the activity) and incline toward effectiveness. Both types of measures reveal important and actionable information.

In the case of the results illustrated in **exhibit 4**, it is important to note that the top three metrics are inward-facing. They focus on completion of tasks as the primary indicators that the internal audit function is delivering value. This task-specific focus looks more at a “to-do list” and less on the perception of the

value of those activities by others. On the other hand, it is encouraging to see that one outward-facing measure—client satisfaction goals—came in at a close fourth place, selected by 38% of respondents. This means that many CAEs are connecting their value with their stakeholder needs. Another 32% say they also measure their value by “the fulfillment of specific expectations set and agreed to with key stakeholders,” another outward-facing measure.

At the same time, a cause for concern may be the fact that 15% indicate that no formal measures of value have been established. This fairly substantial percentage would be surprising if the responses include those who are not in management; the fact that all respondents to this question are CAEs makes it even more perplexing. Those in the 15% category may wish to consider the ramifications of the absence of measures: lack of measurements make it more difficult to be in conformity with IIA Standard 1311: Internal Assessments, and they risk not knowing the quality of their efforts (or the organization’s perception of that quality).

3 Taking a Balanced Approach to Measurement Methods

“In my audit practice, we recommend business improvement through a variety of ways. Some are hard to measure, such as compliance assurance, but we do try to estimate a dollar value where possible by quantifying cost reduction, cost avoidance, and the revenue enhancement impact of our work.”

—Karen Begelfer, Vice President, Corporate Audit Services, Sprint Nextel Corporation, Kansas City, Missouri, USA

Measures can become addictive. In their book, *Measurement Madness: Recognizing and Avoiding the Pitfalls of Performance Measurement*, the authors point out the ramifications of measurements that are out of control.* Unrestrained measures can provide too much data but not enough information. They can proliferate and thereby add confusion and cost but little clarity. Most important, they can fail to drive performance. Measures should exist to clarify a business situation, opportunity, or challenge, not simply exist for their own sake. With that in mind, how do the measures being used by organizations and internal auditors stack up against the desired goal of realizing value from the internal audit function?

The two most popular methods among survey respondents were “surveys of audit clients” (an outward-facing approach) and “internal quality assessments initiated by internal audit” (an inward-facing approach) (see **exhibit 5**). Because these top two assessments represent both an inward-facing and an outward-facing approach, it is a positive indicator of a balanced approach among those who are gauging their performance. In addition,

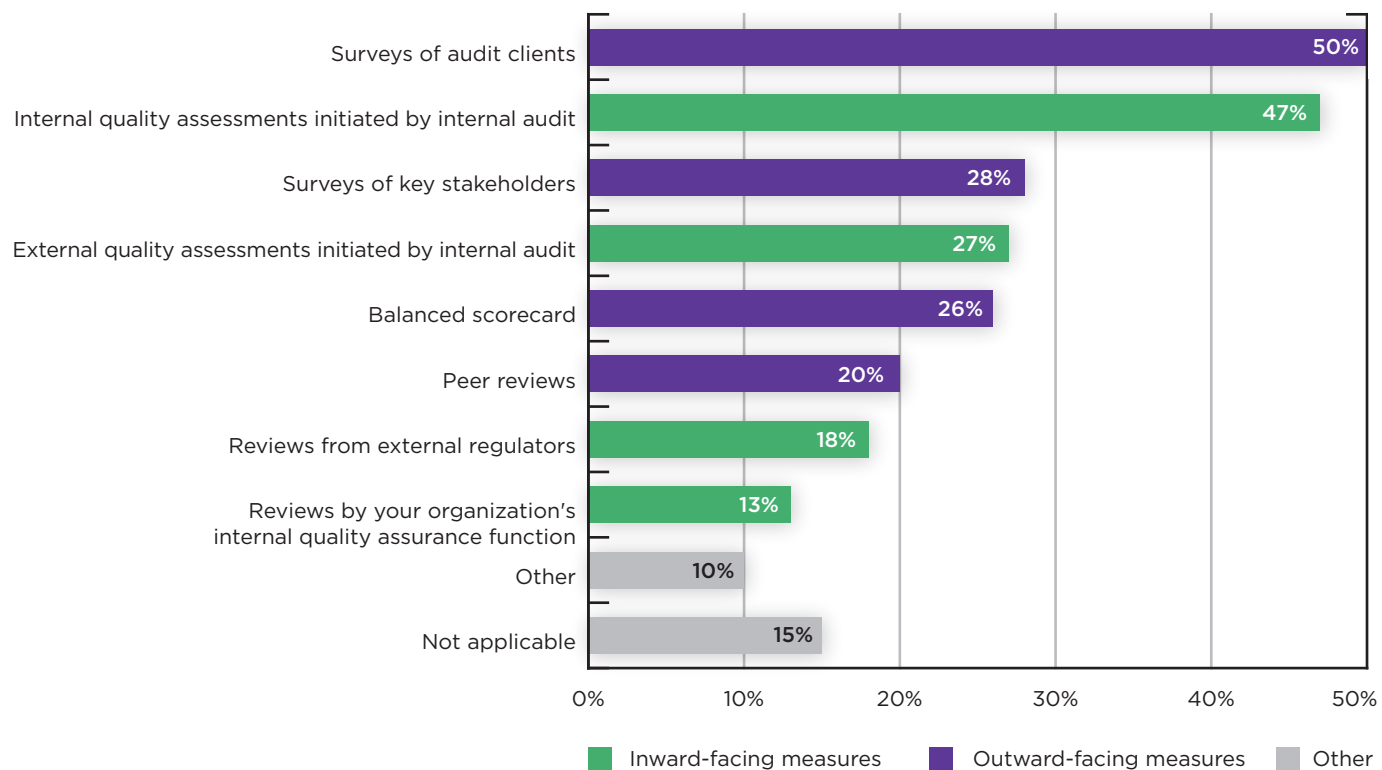
* Dina Gray, Pietro Micheli, and Andrey Pavlov, *Measurement Madness: Recognizing and Avoiding the Pitfalls of Performance Measurement* (West Sussex, United Kingdom: John Wiley & Sons, 2015).

there is a strong, positive increase in the outward-facing measure. In the CBOK 2010 practitioner survey, only 9% indicated that they used customer surveys to gather information about how internal audit activities were perceived, while in 2015, the rate increased to 50%.

Another considerable change from 2010 is the use of the balanced scorecard, increasing from 4% to 26% globally. This result is in line with the expectations of the 2010 respondents who selected balanced scorecard as the approach they most anticipated would have greater usage “five years from now.”

The use of a balanced scorecard in support of internal audit’s quality and value efforts is on the rise globally, and this increased focus may help support internal audit’s efforts to be responsive to key stakeholder needs. This outcome may be achieved as a result of the balanced scorecard’s recognition that an organization’s success hinges on more than simply financial outcomes. The balanced scorecard approach calls for examination of and measures for three other perspectives as well: customer, internal business processes, and learning and growth. This broader perspective renders the balanced scorecard a strategic leadership tool, not just a tactic to achieve a narrowly defined objective. To be successful in an internal audit environment, use of the balanced scorecard requires linking the internal audit strategy to enterprise

Exhibit 5 Methods Used to Support Performance



Note: Q91: Which of the following methodologies and tools do you use to support your quality and performance processes? (Choose all that apply.) Green bars are inward-focused methods and purple bars are outward-focused measures. CAEs only. $n = 2,641$.

strategy, and then translating the strategy of the internal audit function into appropriate balanced scorecard performance measures.

For results about measures and methodologies by geographic region and industry type, see **exhibits A3** through **A6** in the appendix.

4 Aligning Performance Perspectives between Internal Audit and Stakeholders

“When developing performance measures, the internal audit activity should consider: How effectively are the performance measures linked to the internal audit activity’s strategy?”

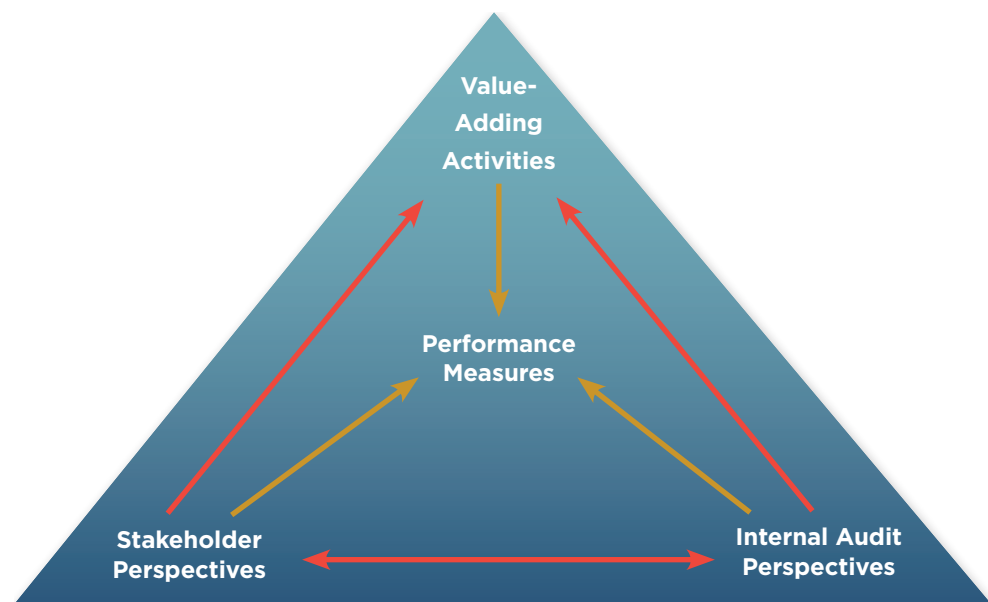
—The IIA’s Practice Guide, Measuring Internal Audit Effectiveness and Efficiency (Altamonte Springs, FL: The Institute of Internal Auditors, 2010). www.global.theiia.org

The Performance Measurement Triangle provides a good visualization of how to align performance expectations between internal audit and stakeholders (see **exhibit 6**). The key is to bring different perspectives together through effective communication. Internal audit and stakeholders need to collaborate to agree on what activities add value (see the red arrows). Then they can agree on the best performance measures for these activities (see the gold

arrows). “The CAE needs to understand the expectations of the audit committee and board,” notes Stegemann. “What is considered as adding value for one organization may differ for another.”

Therefore, in the spirit of “what gets measured gets done,” following are a set of action steps to help internal audit align its value drivers with stakeholder expectations and create a measurement system that reflects all aspects of the internal audit value proposition.

Exhibit 6 The Performance Measurement Triangle



Note: Internal audit and stakeholders have their own perspectives about value, so they need to collaborate in order to agree on value-adding activities and how to measure them.

“When you want to know how stakeholders rate your performance, you need to do more than send out a feedback survey. We ask an independent party to sit with our stakeholders for a focused conversation.”

—Robert Kella, Senior Vice President of Internal Audit for Emirates Group, Dubai, United Arab Emirates

Steps to Align Performance Measures and Value-Adding Activities

1. Learn the customer's expectations.

Internal auditors cannot deliver expected value unless they know specifically how management and key stakeholders define value. The only way to find out is to ask. Interview key stakeholders (members of the board and the audit committee) and executive management and use those responses to develop a list of what they indicate are value-adding activities.

2. Validate your understanding.

Review the list developed in step 1 with the key stakeholders whose interview comments helped create the list and secure their agreement that it is an accurate and complete reflection of value expected from the internal audit function.

3. Develop outward-facing and inward-facing performance measures.

a. Outward-facing measures: For each value activity, develop one or more outward-facing performance measure that provides a clear, repeatable, and accurate view of how well the activity delivered the expected value for the stakeholder.

b. Inward-facing measures: There are many critical, inward-facing activities that internal audit must undertake to keep its activities in order. Develop performance measures for those activities.

4. Start measuring. Implement tools and methodologies to capture and track internal audit's performance against the value drivers and the internal quality standards. Be sure to address the non-assurance aspects of internal audit's work by devising a way to obtain feedback from key stakeholders on qualitative and advisory activities.

5. Report back. Make sure that stakeholders whose input formed the list of value-driving activities outlined in step 1 are regularly informed of the internal audit function's status and performance against their expectations.

6. Repeat the cycle. Periodically (at least annually) reconfirm the expectations with the key stakeholders and update the list of value-adding activities as necessary. Support any updates with new performance measures.

Remember that successful application of these steps requires use of one of the most important skills internal auditors must possess: communication. Listening to stakeholders enables internal auditors to craft measurements and methodologies that reflect stakeholder priorities. Reporting back to them on status and performance of the identified activities demonstrates internal audit's competence and collaborative spirit. Value is thus realized on both sides of the equation, and the organization is the ultimate beneficiary.

Conclusion

The CAEs who participated in the CBOK 2015 practitioner survey clearly understand that the success of the internal audit function—defined in this case as meeting stakeholder expectations for value—depends on more than completed audits. While operational expertise (reflected in completing audits on time and closing audit issues on schedule) is valuable and therefore measured, other activities such as advising and recommending are also part of internal audit’s contribution to the organization. To provide the highest level of service to their organizations, internal auditors should collaborate with their stakeholders to align performance measures to their top priorities.

Appendix A

Exhibit A1 Audit Activities That Bring Most Value (Organization Type View)

Ranking (by global average)	Value-Adding Activities	Financial sector (privately held and publicly traded)	Privately held (excluding financial sector)	Publicly traded (excluding financial sector)	Public sector (including government agencies and government-owned operations)	Not-for-profit organization	Average
1	Assuring the adequacy and effectiveness of the internal control system	90%	85%	88%	84%	82%	87%
2	Recommending business improvement	49%	57%	57%	57%	54%	55%
3	Assuring the organization's risk management processes	61%	51%	51%	50%	47%	53%
4	Assuring regulatory compliance	62%	44%	42%	51%	59%	50%
5	Informing and advising management	33%	38%	40%	46%	43%	40%
6	Identifying emerging risks	39%	41%	30%	39%	39%	37%
7	Assuring the organization's governance processes	36%	37%	36%	41%	26%	37%
8	Investigating or deterring fraud	20%	38%	34%	24%	32%	29%
9	Informing and advising the audit committee	35%	21%	33%	23%	36%	28%

Note: Q89: In your opinion, which are the five internal audit activities that bring the most value to your organization? (Choose up to five.) CAEs only. Red indicates a percentage significantly below the global average and blue indicates a percentage significantly above. Only the nine most popular choices are shown. $n = 2,641$.

AUDIT ACTIVITIES THAT BRING MOST VALUE: DIFFERENCES AMONG ORGANIZATION TYPES

- In the financial sector, internal auditors tend to focus more on assurance activities than on insight or objective advice.
- For privately held and publicly traded organizations that are not in the financial sector, internal auditors tend to focus less on “assuring regulatory compliance” and more on “investigating or deterring fraud.”

Exhibit A2 Audit Activities That Bring Most Value (Region View)

Ranking (by global average)	Value-Adding Activities	Europe	Middle East & North Africa	Sub-Saharan Africa	South Asia	East Asia & Pacific	North America	Latin America & Caribbean	Global Average
1	Assuring the adequacy and effectiveness of the internal control system	86%	82%	91%	96%	86%	85%	89%	87%
2	Recommending business improvement	57%	58%	48%	39%	55%	56%	56%	55%
3	Assuring the organization's risk management processes	56%	50%	64%	51%	62%	34%	62%	53%
4	Assuring regulatory compliance	43%	46%	57%	70%	57%	46%	57%	50%
5	Informing and advising management	43%	32%	32%	24%	38%	51%	29%	40%
6	Identifying emerging risks	42%	36%	44%	43%	29%	33%	42%	37%
7	Assuring the organization's governance processes	36%	46%	49%	39%	43%	24%	39%	37%
8	Investigating or deterring fraud	27%	25%	26%	34%	31%	28%	34%	29%
9	Informing and advising the audit committee	26%	28%	30%	21%	16%	45%	24%	28%

Note: Q89: In your opinion, which are the five internal audit activities that bring the most value to your organization? (Choose up to five.) CAEs only. Red indicates a percentage significantly below the global average and blue indicates a percentage significantly above. Only the nine most popular choices are shown. $n = 2,605$.

AUDIT ACTIVITIES THAT BRING MOST VALUE: DIFFERENCES AMONG REGIONS

- Respondents in North America assign a lower value to “assuring the organization’s risk management processes” than any other global region.

North America was relatively late in adopting formal enterprise risk management (ERM) processes and assurance of the risk management framework by internal audit, while other areas of the world have been using risk management standards since the late 1990s.

- In South Asia, the highest priority after “assuring the adequacy and effectiveness of the internal control system” is overwhelmingly “assuring regulatory compliance.”

The South Asia region consists primarily of India, where new regulatory requirements for internal audit have recently been implemented. In India, all listed companies (plus certain unlisted public companies and private companies that fulfill specific conditions) are required by the Companies Act 2013 to appoint an internal auditor (whether an employee or an external agency) to undertake internal audit activities. The way the legal requirement is currently structured, the duties and responsibilities of the internal auditor are not yet stipulated, which may account for emphasis on assuring regulatory compliance.

Exhibit A3 Measures Used for Internal Audit Performance (Organization Type View)

Performance Measures	Financial sector (privately held and publicly traded)	Privately held (excluding financial sector)	Publicly traded (excluding financial sector)	Public sector (including government agencies and government-owned operations)	Not-for-profit organization	Average
Percentage of audit plan complete	73%	66%	65%	65%	55%	66%
Timely closure of audit issues	46%	45%	45%	37%	37%	42%
Completion of mandated coverage	44%	39%	44%	39%	41%	41%
Client satisfaction goals	38%	36%	39%	38%	35%	38%
The fulfillment of specific expectations set and agreed to with key stakeholders	33%	34%	33%	27%	38%	32%
Budget to actual audit hours	34%	27%	26%	29%	28%	29%
Performance against the internal audit financial budget	26%	21%	25%	21%	20%	23%
Cycle time from end of fieldwork to final report	26%	21%	26%	19%	21%	23%
Cycle time from entrance conference to draft report	19%	17%	18%	23%	16%	19%
We have not established formal performance measures.	10%	15%	14%	18%	20%	15%
Other	11%	9%	11%	11%	9%	10%

Note: Q90: What specific measures does your organization use to evaluate the performance of its internal audit activity? (Choose all that apply.) CAEs only. Red indicates a percentage significantly below the global average and blue indicates a percentage significantly above. $n = 2,641$.

MEASURES USED FOR INTERNAL AUDIT PERFORMANCE: DIFFERENCES AMONG ORGANIZATION TYPES

- When performance measures are viewed according to organization type, most of the significant differences disappear.

This result suggests that the differences between regions may be related more to the different mix of organization types than to cultural variances. Expressed another way, the most logical ways of measuring internal audit performance may be tied more closely to organization type than to regional distinctions.

Exhibit A4 Measures Used for Internal Audit Performance (Region View)

Performance Measures	Europe	Middle East & North Africa	Sub-Saharan Africa	South Asia	East Asia & Pacific	North America	Latin America & Caribbean	Global Average
Percentage of audit plan complete	64%	69%	82%	69%	66%	56%	76%	66%
Timely closure of audit issues	43%	46%	46%	64%	38%	41%	43%	42%
Completion of mandated coverage	34%	47%	53%	63%	52%	35%	41%	42%
Client satisfaction goals	39%	39%	45%	34%	34%	40%	33%	38%
The fulfillment of specific expectations set and agreed to with key stakeholders	28%	31%	42%	46%	26%	35%	37%	32%
Budget to actual audit hours	25%	40%	30%	30%	30%	29%	32%	29%
Performance against the internal audit financial budget	19%	20%	32%	16%	21%	31%	20%	23%
Cycle time from end of fieldwork to final report	21%	25%	24%	30%	24%	23%	22%	23%
Cycle time from entrance conference to draft report	18%	30%	17%	22%	17%	19%	22%	19%
We have not established formal performance measures.	17%	11%	7%	7%	15%	18%	13%	15%
Other	11%	8%	10%	6%	8%	13%	8%	10%

Note: Q90: What specific measures does your organization use to evaluate the performance of its internal audit activity? (Choose all that apply.) CAEs only Red indicates a percentage significantly below the global average and blue indicates a percentage significantly above. $n = 2,605$.

MEASURES USED FOR INTERNAL AUDIT PERFORMANCE: DIFFERENCES AMONG REGIONS

- For nearly every region, the measure that outweighs all others is “percentage of audit plan complete.”
- The use of “client satisfaction goals” is remarkably consistent across all regions—ranging from 33% to 45%.
This represents broad agreement that effectiveness in advising and recommending activities depends on a thorough understanding of what the client hopes to gain from the internal audit activity.
- The Sub-Saharan Africa and Latin America & Caribbean areas show a significantly higher reliance on the “percentage of audit plan complete” as a way to evaluate the value delivered by internal audit.
One possible explanation is that organizations in the region generally match salaries or benefits to a unit’s performance. Organizations tend to find the percentage of audit plan completed the easiest and most direct way to measure internal audit’s performance, similar to the way other units are measured by their percentage of objectives completed. Clearly, more sophisticated measures exist to measure added value, but they may be less readily understood or accepted throughout the organization.

Exhibit A5 Methods Used to Support Quality and Performance (Organization Type)

Methods That Support Performance	Financial sector (privately held and publicly traded)	Privately held (excluding financial sector)	Publicly traded (excluding financial sector)	Public sector (including government agencies and government-owned operations)	Not-for-profit organization	Average
Surveys of audit clients	52%	46%	51%	53%	47%	50%
Internal quality assessments initiated by internal audit	53%	39%	43%	52%	46%	47%
Surveys of key stakeholders	28%	28%	27%	29%	30%	28%
External quality assessments initiated by internal audit	34%	23%	23%	30%	20%	27%
Balanced scorecard	26%	29%	22%	25%	24%	26%
Peer reviews	18%	20%	17%	25%	22%	20%
Reviews from external regulators	36%	10%	8%	18%	16%	18%
Reviews by your organization's internal quality assurance function	13%	13%	10%	14%	13%	13%
Other	10%	11%	11%	10%	13%	10%
Not applicable	11%	17%	18%	12%	15%	15%

Note: Q91: Which of the following methodologies and tools do you use to support your quality and performance processes? (Choose all that apply.) CAEs only. Red indicates a percentage significantly below the global average and blue indicates a percentage significantly above. $n = 2,641$.

METHODS USED TO SUPPORT QUALITY AND PERFORMANCE: DIFFERENCES AMONG ORGANIZATIONS

- Privately held organizations were less active than average for “internal quality assessments initiated by internal audit,” “external quality assessments initiated by internal audit,” and “reviews from external regulators.” In these same areas, the financial sector was more active.
- Public sector respondents exceeded all other organization types for “peer reviews.”

Exhibit A6 Methods Used to Support Quality and Performance (Region View)

Methods That Support Performance	Europe	Middle East & North Africa	Sub-Saharan Africa	South Asia	East Asia & Pacific	North America	Latin America & Caribbean	Global Average
Surveys of audit clients	51%	47%	53%	51%	43%	56%	51%	50%
Internal quality assessments initiated by internal audit	48%	49%	55%	37%	43%	51%	39%	47%
Surveys of key stakeholders	26%	30%	31%	34%	26%	32%	26%	28%
External quality assessments initiated by internal audit	35%	28%	25%	21%	17%	33%	18%	27%
Balanced scorecard	22%	31%	39%	31%	23%	20%	34%	26%
Peer reviews	19%	20%	28%	36%	18%	19%	21%	20%
Reviews from external regulators	17%	20%	22%	12%	15%	18%	21%	18%
Reviews by your organization's internal quality assurance function	9%	13%	19%	16%	20%	5%	18%	13%
Other	11%	6%	9%	12%	9%	12%	11%	10%
Not applicable	14%	17%	5%	15%	20%	16%	12%	15%

Note: Q91: Which of the following methodologies and tools do you use to support your quality and performance processes? (Choose all that apply.) CAEs only. Highlighted cells show the general relationship between “external quality assessments initiated by internal audit” compared to “reviews by the organization’s internal quality assurance.” Red indicates a percentage significantly below the global average and blue indicates a percentage significantly above. $n = 2,605$.

METHODS USED TO SUPPORT QUALITY AND PERFORMANCE: DIFFERENCES AMONG REGIONS

- The “balanced scorecard” appears to be especially favored in the Sub-Saharan Africa and Latin America & Caribbean areas, but not so widely used in North America and Europe.

In Sub-Saharan Africa and Latin America & Caribbean, the balanced scorecard is a relatively new concept widely recognized as a good management practice. In North America, the balanced scorecard may have been replaced or supplemented by the more abbreviated dashboard approach.

- Regions with higher rates of review by their organization’s quality assurance function tend to have lower levels of “external quality assessments initiated by internal audit” and vice versa (see highlighted cells).

This would tend to indicate that internal audit may need to explain to its stakeholders the value of external quality reviews and that internal quality reviews cannot be a substitute for external quality reviews, which are required for conformance with the *Standards* at least every five years.

Resources

The Balanced Scorecard: Applications in Internal Auditing and Risk Management by Mark L. Frigo (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2014).

Become a Strategic Internal Auditor: Tying Risk to Strategy by Paul L. Walker (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2014).

The IIA's Practice Guide, Measuring Internal Audit Effectiveness and Efficiency (Altamonte Springs, FL: The Institute of Internal Auditors, 2010). www.global.theiia.org

Insight: Delivering Value to Stakeholders by Patty Miller and Tara Smith (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2011).

Job Satisfaction for Internal Auditors: How to Retain Top Talent by Venkataraman Iyer (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2014).

Keeping Quality in Focus Through Internal Assessments (Altamonte Springs, FL: The Institute of Internal Auditors, Audit Executive Center, 2014). www.theiia.org/cae

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Quality Assessment Manual for the Internal Audit Activity by Patrick Copeland, Donald Espersen, Martha Catherine Judith Grobler, and James Roth (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2013).

Value and Competency—The Stakeholder Perspective: Insights for Internal Auditors and Management by Vu H. Pham and Betsy Bosak (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2013).

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