

HOW THE BALANCED SCORECARD

Supports Successful Internal Audit Practices

IIA Quality Services'

assessment teams evaluate various internal audit activities each year to assess efficiency and effectiveness. Defining, implementing, measuring, and reporting key performance indicators (KPIs), using a balanced scorecard, promotes continuous improvement of Internal Audit processes. Here are a few example *Standards* where the balanced scorecard can demonstrate effective implementation.

▶ Balanced scorecards are designed to translate internal audit strategy into action with the aim of helping to manage and measure the performance of the internal audit function, and, consequently, achieving alignment with organizational strategies.

STANDARD 2000

Managing the IA Activity

A defined and executed multi-year strategic plan for Internal Audit includes adjusting the plan on an annual basis and presenting to senior management and the Audit Committee for review and approval; and linking achieving strategic plan initiatives with the Internal Audit balanced scorecard to measure and monitor progress for the various initiatives embedded within the plan.

STANDARD 2060

Reporting to Management and the Board

Enhancing the effectiveness of reporting to senior management and the Audit Committee by developing a balanced scorecard with graphics to communicate results of Internal Audit activities in a summary fashion supported by more detailed information in appendices.

STANDARD 1311

Internal Assessments

Consider developing a balanced scorecard, with input from key stakeholders, to support reporting of ongoing monitoring of Internal Audit performance.

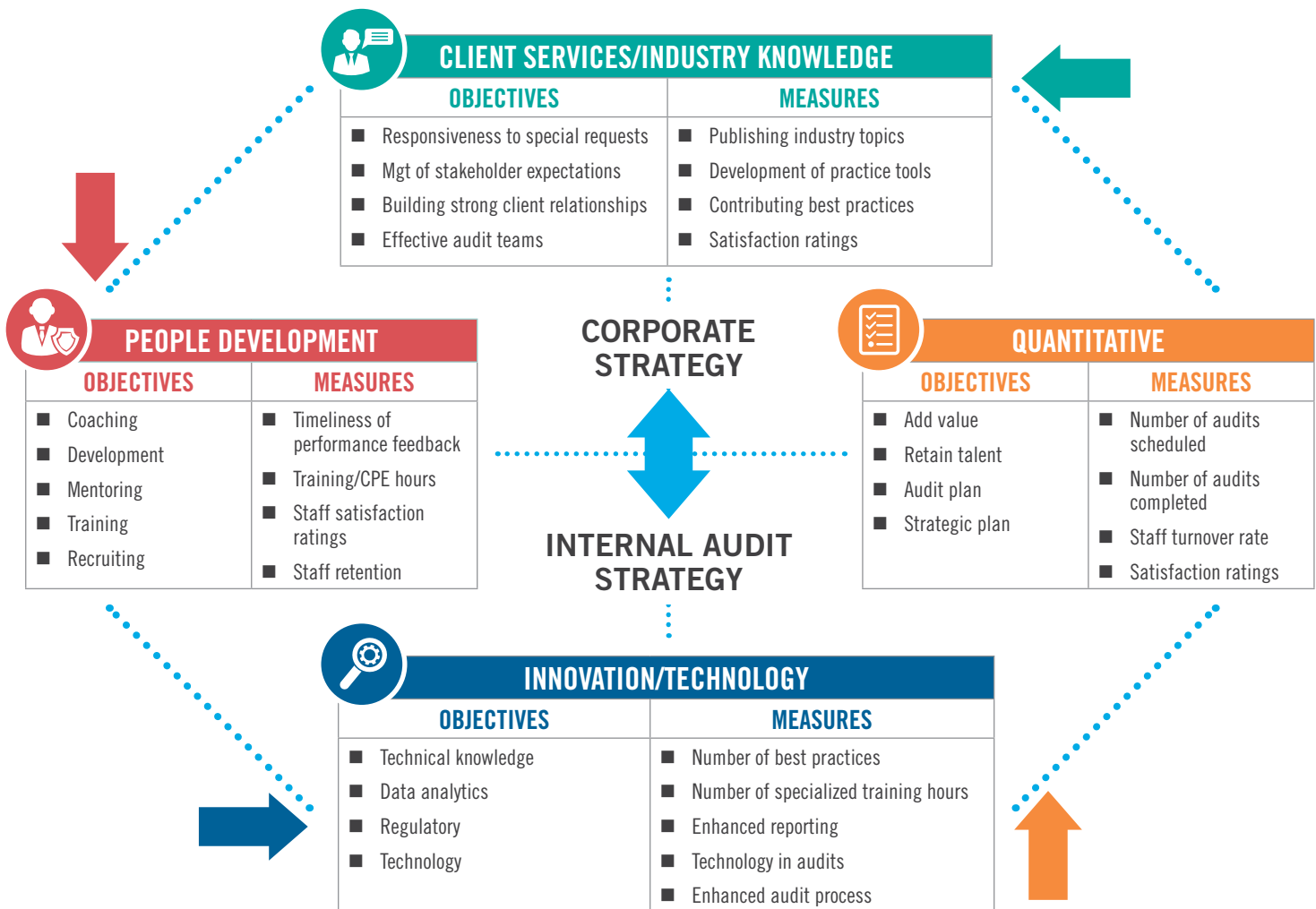
STANDARD 1320

Reporting on QAIP

Results of external and periodic internal assessments should be communicated upon completion of such assessments and the results of ongoing monitoring be communicated at least annually. The results may be communicated through a balanced scorecard to senior management and the Audit Committee.

Balanced scorecards are becoming an increasingly well established means for reporting quantitative and qualitative KPIs to the audit committee in a balanced way. A sample is referenced incorporating metrics, defined in consultation with senior management and the Audit Committee, relevant to the efficient and effective performance of Internal Audit. Metrics currently defined by Internal Audit, and used to manage Internal Audit activities, might serve as a starting point for developing the balanced scorecard. Results reported on the balanced scorecard should be included as a component of the periodic reporting process to the Audit Committee and support oversight of Internal Audit by the Audit Committee. The IIA Practice Guide, “Measuring Internal Audit Effectiveness and Efficiency,” might be considered as a resource when developing this approach.

SAMPLE BALANCED SCORECARD



NEED FURTHER INSIGHT INTO QUALITY ASSESSMENT?

Let IIA Quality Services be your trusted advisor. Our experts can assist you in determining which option — quality assessment or self-assessment with independent validation — best suits your needs.

Contact us at Quality@theiia.org or +1-407-937-1399.

ABOUT IIA QUALITY SERVICES

IIA Quality Services' mission is to elevate professionalism within internal auditing and conformance to the *International Standards for the Professional Practice of Internal Auditing* by providing knowledge resources to internal audit activities. IIA Quality Services' experts provide full-scope quality assessments, validations of self-assessments, and readiness assessments.