Performance Management and Accountability
Level 3 – Integrated
Performance Measures

**Purpose** — In addition to cost data, to develop meaningful indicators and measures that enable the IA activity to measure and report on its performance and routinely monitor its progress against targets to ensure that results are achieved as economically and efficiently as possible. These will be primarily input and process measures, with some output or qualitative outcome measures.¹

**Essential Activities**
- Identify the IA activity’s business and organizational objectives.
- Determine what internal audit operations need to be measured.
- Document the performance management system, identifying:
  - Performance data to be collected.
  - The frequency of data collection.
  - Who is responsible for data collection.
  - Data quality control.
  - Who generates performance data reports.
  - Who receives the reports.
- Develop performance measures (input/output ratios, productivity measures).
- Establish performance targets.
- Use the performance information to monitor the IA activity’s operations and results against established objectives and take appropriate action.
- Report on the IA activity’s performance to senior management and/or relevant stakeholders, as required (e.g., quarterly/annual reports on the IA activity).
- Evaluate periodically the cost effectiveness, currency, and relevance of the performance measures.

**Outputs**
- A framework for measuring the IA activity’s performance, including meaningful indicators and measures of performance.
- Consistent monitoring processes and a performance reporting regime for the IA activity.
- Data that provide meaningful information on the IA activity’s performance.
- Periodic reports to senior management and/or the board.

**Outcomes**
- An understanding and demonstration of how day-to-day operations work toward the achievement of the IA activity’s business and organizational objectives.
- Internal audit management is able to use the performance information to monitor operations and results against established objectives, make informed decisions, and demonstrate accountability.

**Institutionalizing Practice Examples**
- Organizational policy requiring monitoring and reporting on the achievement of business and organizational objectives.
- Organizational policy requiring management’s accountability for results (e.g., accountability agreements).
- Time information recording and reporting system.
- Balanced scorecard.

¹Fundamental metrics will likely be in place — these relate to measurable internal audit activities (e.g., input: resources/working days available and used; output: number of reports produced, recommendations made, percentage of completion of the audit and services plan; outcome: impact of recommendations implemented such as dollars saved or additional revenue collected, client satisfaction).