

# Why most KPIs drive internal audit in the wrong direction

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## About me

- Since 2009, Head of Internal Audit Department in the State Development Bank of Poland (BGK) – Polish only development bank and 3rd largest bank in Poland,
- Formerly internal auditor in BZWBK (currently Santander Bank) and NBP (Polish central bank),
- Public speaker during many conferences and seminars,
- Deputy President of IIA Poland, responsible (among others) for foreign relations,
- CIA certificate holder since 2009.

## Quotes & Mottos



If you can not measure it, you can not improve it.

**Peter Drucker (and Lord Kelvin & many others)**



Those who think 'Science is Measurement' should search Darwin's works for numbers and equations.

**David H. Hubel**



Selecting the right measure and measuring things right are both art and science. And KPIs influence management behavior as well as business culture.

**Pearl Zhu**



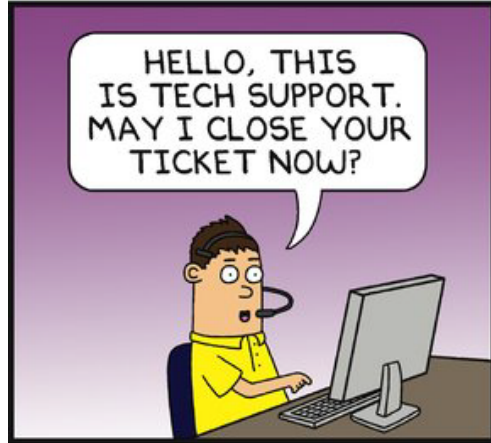
Buffett found it 'extraordinary' that academics studied such things. They studied what was measurable, rather than what was meaningful.

**Roger Lowenstein, Buffett: The Making of an American Capitalist**

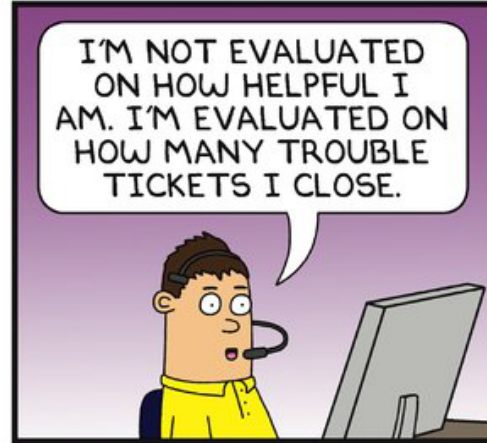


# KPIs in real life

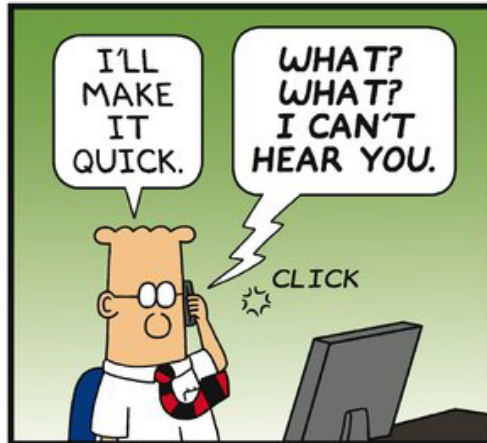
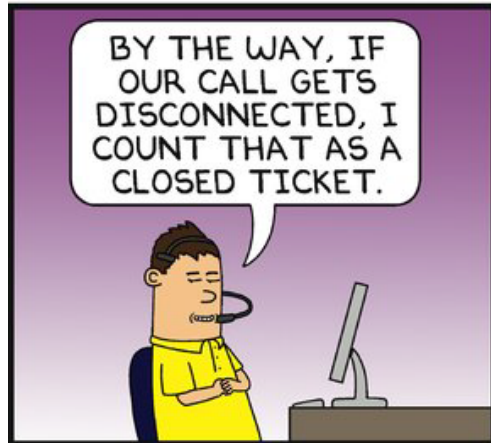
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Indicators with measurable value that demonstrate how effectively a company is achieving key business objectives.



## Key features

01

Should have large impact for the success of the organization, should stem from its strategy

02

Clear and easy to understand

03

Easy to calculate and regularly measured

04

Used to assess the performance of both teams and individual employees

05

Employees should have impact for KPIs' value



## Most common KPIs in audit



Source: *The Future of Internal Audit is Now*, Ernst & Young



## Other popular KPIs

External assessment's results	Number of days from start of audit to audit report	Number of days from end of fieldwork to audit report
Certifications or other advanced degrees	Internal auditor turnover (rotation into and out of IAD)	Number of audits per auditor
Number of auditees' request for assistance on key initiatives	Number of findings removed from the draft report	Number of audit issues addressed before final report is issued
Consistent use of CAAT's	Skills matrix, identifying key IA skills, in place and filled	Concise findings and report

# Internal Audit Departments – examples



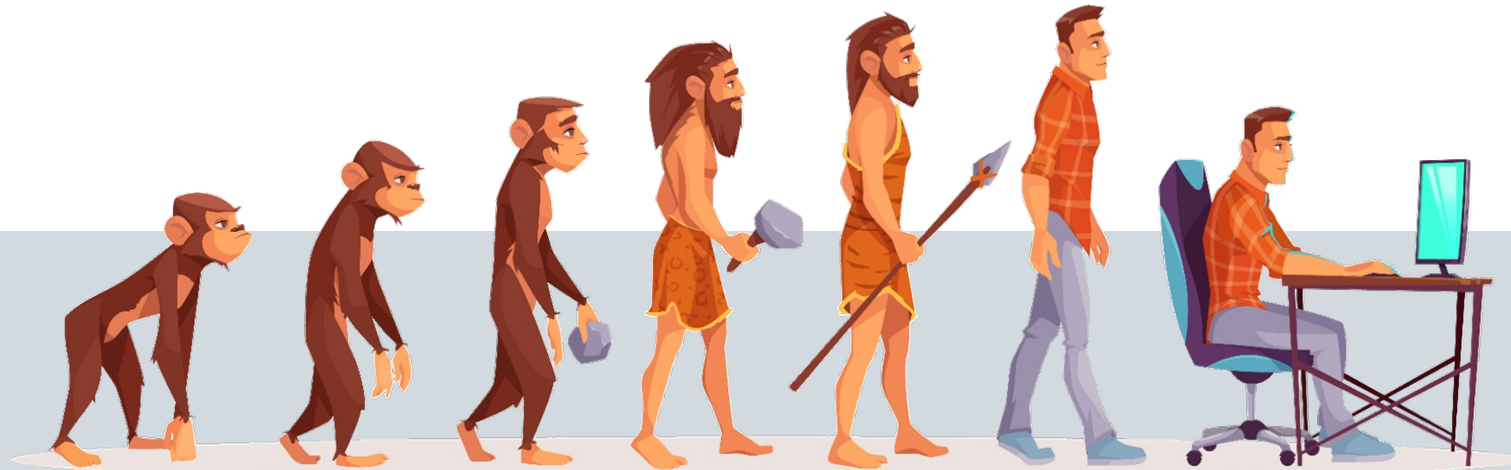
KPI	Plan	Delivery
Percentage of audit plan completed	95%	100%
Number of days from end of fieldwork to audit report	12 days	8 days
Satisfaction of audited units	90%	97%
Percentage of recommendations implemented on time	75%	95%



KPI	Plan	Delivery
Percentage of audit plan completed	95%	90%
Number of days from end of fieldwork to audit report	12 days	18 days
Satisfaction of audited units	90%	80%
Percentage of recommendations implemented on time	95%	80%



# Internal audit efficiency – paradigm shift



Then

Only  
quantitative  
KPIs

*Major role for main stakeholders  
(Board of Directors, Audit Committee, Management Board)*

Now

Quantitative  
and qualitative  
KPIs

# How to put it all together?

## KPIs

### Audit Committee

- Satisfaction of the committee
- IA's impact assessment

### Audit assignments

- Coverage of organization by audits
- Percentage of audit plan completed
- Time for audit
- Concise findings / reports
- Use of CAATs

### Inside the team

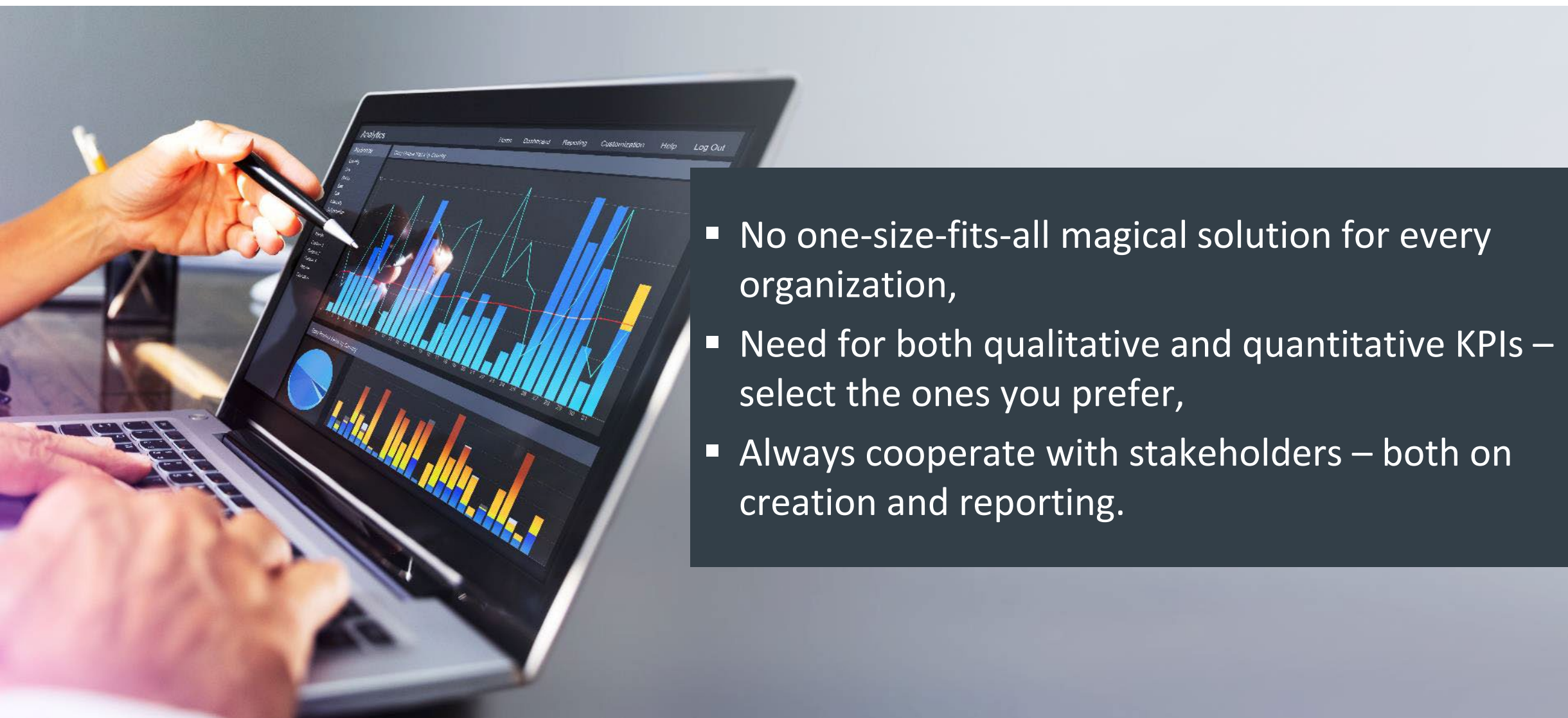
- Number of certified auditors
- Training hours
- Turnover and rotation
- Skills matrix filled

### Other

- External assessment results
- Supervision assessment



Select  
3 – 6 best  
for you



- No one-size-fits-all magical solution for every organization,
- Need for both qualitative and quantitative KPIs – select the ones you prefer,
- Always cooperate with stakeholders – both on creation and reporting.

Thank you for your  
attention

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