

ECIIA presents

Keeping the Internal Audit Function Aligned

with evolving stakeholder expectations: methodology and application from the insurance industry

Thought Leadership



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Introduction

The Insurance industry is undergoing rapid and deep-rooted change triggered among other factors by technological developments, move to a customer centric paradigm, regulatory developments, and further macro-economic and societal developments. The Insurance industry is undergoing rapid and deep-rooted change triggered among other factors by technological developments, move to a customer centric paradigm, regulatory developments, and further macro-economic and societal developments. The method discussed in this paper is deemed appropriate for Internal Audit functions, no matter what maturity level they start their journey from.

Running an impactful Internal Audit function is much more than merely complying with the professional standards as promulgated by the IIA. While most CAEs do have a directional idea on how to evolve the function towards a future state, progress and alignment with the insurance undertaking can only be secured when such direction is precise enough to suggest differential outcomes, is cascading into a variety of perspectives, and supported by a set of tangible qualitative and quantitative performance indicators.

In order to stay relevant, Internal Audit functions within the Insurance industry, no matter what size, have to transform in lockstep with the industry and insurance undertaking they operate in.

This paper is “designed to inspire a dialogue among professionals and internal audit’s stakeholders. It introduces an easy to apply and scalable method to develop and agree transformational goals, priorities and expected progress with relevant stakeholders, and to balance competing

02

Thesis

Managing and progressing the Internal Audit function in a forward looking, impactful way requires the consideration of a variety of aspects going far beyond compliance with professional standards.

Drivers of a robust Internal Audit Activity

The professional standards for internal audit as promulgated by the Institute of Internal Auditors¹ are well defined and communicated to the Chief Audit Executives (“CAE”), their teams and other practitioners across industries. Internal Audit functions, as required by the standards, undergo regular independent external reviews to confirm compliance with the pertinent standards and guidelines.

1 www.theiia.org

There is, however, little guidance available to assist the CAE in managing, progressing and innovating the function, balancing the emerging needs and expectations of the insurance undertaking’s supervisor, Board of Directors and its Audit Committee, Senior Leadership, the Internal Audit workforce, and the public, as appropriate.

Progressing the Internal Audit function beyond compliance with the professional standards is not different from running any other business activity.

In summary these needs beyond compliance with professional standards include among others:

- Enhancing assurance insights and timeliness of work products
- Enabling the function for a timely, insight- and impactful dialogue with Management, the Board of Directors and its Audit Committee,

- and the insurance undertaking’s supervisor.
- Improving functional efficiency to provide continuous maintenance and enhancements of methods, skills, technology and audit workforce
- Developing an engaging work environment and experience to foster diversity and inclusion, personal growth and alignment with the organization’s values and culture.

Headwinds within the Insurance Industry to anticipate and address

The Insurance Industry is subject to regulatory guidance both at Group and legal entity levels.

This may be adding complexity to the insurance undertaking and thus the successful Internal Audit activity. Going beyond compliance-based process alignment requires due consideration in the risk-based planning process, delivery of individual audit projects, and sustainable enhancement and innovation of the function and its workforce. More specific approaches to establish a sound planning for the future are therefore necessary. Absence to adapt may lead to a variety of distortions of the Internal Audit function’s fitness to deliver tailored and timely assurance insights:

- Continued efforts of the Insurance industry to adapt to regulatory requirements both at Group and subsidiary levels may lead the Internal Audit function to a compliance-driven risk focus. The operational, financial reporting and strategic risk categories may become underweight in the overall risk mix
- The Insurance industry is gradually moving from more manual to more automated processes and practices, including the accelerated use of machine learning and eventually artificially enhanced intelligence. Internal Audit functions may lose touch with rapid changes to the business architecture and engaged technology unless forcefully addressed in their own business mix
- The complexity of Insurance undertakings and their spread into countries of varying supervisory regimes may require the enhancement of the suite of assurance products. Group and subsidiary Boards of Directors may have different needs, in particular if their entities are governed by different regulatory regimes and supervisors. Group level audiences may expect more consolidated views to tie into Group level materiality and sensitivity while local audiences, who are more deeply involved in the local dimensions of the business may expect straight forward reporting of detailed test-

ing results. Without enhancing specific skills, resources and methodologies, Internal Audit functions may be at a risk of not adequately supporting their audiences at different organizational levels with timely assurance insights for their decision making

- The workforce paradigm where resources were mostly hired for a fit with technical skills becomes less relevant. Internal Audit functions in the Insurance Industry are expected to tap into a pool of specialist skills, ranging from actuarial, underwriting, claims, capital modelling, accounting (e.g. IFRS9, IFRS17), cyber security, data science, as well as matured interpersonal skills, to name a few. These skills are expected to be delivered by a diverse and inclusive team of professionals ranging from millennials to more seasoned professionals, who appreciate the opportunity to learn from each other and grow in lockstep with the speed of the business transformation. Lack of active skill transformation and diversity may materially reduce the Internal Audit function's ability to align with requirements and attract high-calibre resources over time.

- The level of customer-driven transparency and need for improved service quality will continue to ask for optimized efficiency of all aspects of an Insurance undertaking. This does not stop

for Internal Audit. Without a specific resource and budget transformation, the Internal Audit function may find itself stripped of the means to sustainably deliver contemporary assurance insights.

- Addressing the specific headwinds impacting the business by continuously enhancing the Internal Audit function's footprint and profile is becoming a discipline in its own right and requires the deployment of specific methodologies and techniques.

Method of the Balanced Scorecard

By leveraging the fundamentals of the Balanced Scorecard ("BSC") method², the CAE will be enabled to engage in a dialogue on what constitutes a quality Internal Audit function and to secure full alignment with the mandate anchored in the Internal Audit Charter. The BSC is considered a suitable instrument to serve as a powerful catalyst for change and to avoid a decline in the function's effectiveness.

The specific priorities will vary from insurance undertaking to insurance undertaking, depending on its nature, size, operating model, and geo-

² Kaplan, Robert S. (2010). "Conceptual Foundations of the Balanced Scorecard". Harvard Business School, working paper 10-074.

graphic footprint. However, independent from this country, industry or supervisory requirements, it is within the role and responsibility of the CAE to preserve, enhance and innovate the value the function is prepared to provide to the organization now and in future. Without a specific short- and longer-term vision, maturation plan and underpinning key performance indicators ("KPI") to help assess progress, no such progress may be expected to occur.

The concepts discussed in this paper are generic by nature and therefore could be applied and tailored notwithstanding the legal entity structure,

Conclusion

This paper outlines an approach for the CAE, notably in the Insurance Industry, to establish a powerful framework to mature the Internal Audit function over time and to observe progress in the light of changing demands and requirements. The model discussed is adaptable to address the most relevant stakeholder groups as well as emerging technological, societal and macro-economic developments.

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Background

The Balanced Scorecard framework evolved since its first discussion in a Harvard Business Review article by Robert S. Kaplan, Marvin Bower, and David P. Norton in 1992¹. Cases of its use emerged across industries and functional dimensions of business.

The Internal Audit profession discussed its applicability for managing the performance of an Internal Audit activity in various research and discussion papers since then. Mark L. Frigo established a tailored adaptation for the Internal Audit profession on the back of Kaplan, Bower and Norton's model in 2002², followed by further guidance on its application in 2014³. The underpinning philosophy of the Balanced Scorecard as detailed in the work of Kaplan, Bower and Norton⁴ can help Internal Audit functions

- to translate its strategy into operations terms,
- to align the organisation to the strategy,

to make strategy part of everyone's job on the back of continuous process and executive leadership.

This approach is pragmatic and applicable for Internal Audit functions as it can easily be enhanced with additional enablers available in the wider organisation.

To mature the Internal Audit function to a future state ambition, it is encouraged to pursue strategies in a structured and disciplined manner, as any other business would require. A sound selection of key performance indicators ("KPI") will help the CAE in deploying resources and managing due progress in the most meaningful way .

1 Kaplan, Robert S.; Bower, Morten; Norton, David P. (1992). "The Balanced Scorecard – Measures that Drive Performance". Harvard Business Review, Jan / Feb Issue 1992.

2 Frigo, Mark L. (2002). "A Balanced Scorecard for Internal Audit Departments". The Institute of Internal Auditors Research Foundation 2002.

3 Frigo, Mark L. (2014). „The Balanced Scorecard: Applications in Internal Auditing and Risk Management“. The Institute of Internal Auditors Research Foundation 2014.

4 Kaplan, Robert S., Norton, David P. (2010). "Conceptual Foundations of the Balanced Scorecard". Harvard Business School, working paper 10-074.

04

Establishing a BSC for the Internal Audit Function

The “look and feel” of Internal Audit functions is as diverse as the insurance undertakings they are there to protect. An organisation which is aspiring to be a leader in its markets will ask for a different direction of the Internal Audit function compared to an organization in a consolidation phase. A global Internal Audit activity may look for more diversity than a locally focused insurance undertaking would. Some organisations would look to Internal Audit for an engaged dialogue and powerful insights, some other companies are perfectly happy with robust assurance as a main outcome. Some look to Internal Audit to be an incubator of talent into the organization, while some others do expect Internal Audit to build a team of career auditors. While the expectations for Internal Audit are diverse, they are all rooted in the expectation for a dynamic approach to sustain and enhance the independent assurance and value Internal Audit is providing to the insurance undertaking and its regulatory supervisors as appropriate. Besides these more generic needs the Internal Audit function has to address, a variety of headwinds, inherent in the Insurance Industry and the markets the insurance undertaking is operating in, must be considered in the ongoing maturation and transformation of the Internal Audit function. It is the CAE’s role and responsibility to develop the function and team along a multi-year vision to best align with the mandate and what is perceived as value by its stakeholders. Based on a robust understanding of the value drivers for Internal Audit, it is encouraged for the CAE to establish and agree an inspiring vision for the Internal Audit function with the key stakeholder groups (i.e. Board of Directors, Audit Committee, Senior Leadership and supervisory bodies as appropriate), suggesting a solid independent assurance contribution now and in future.

Independent Assurance

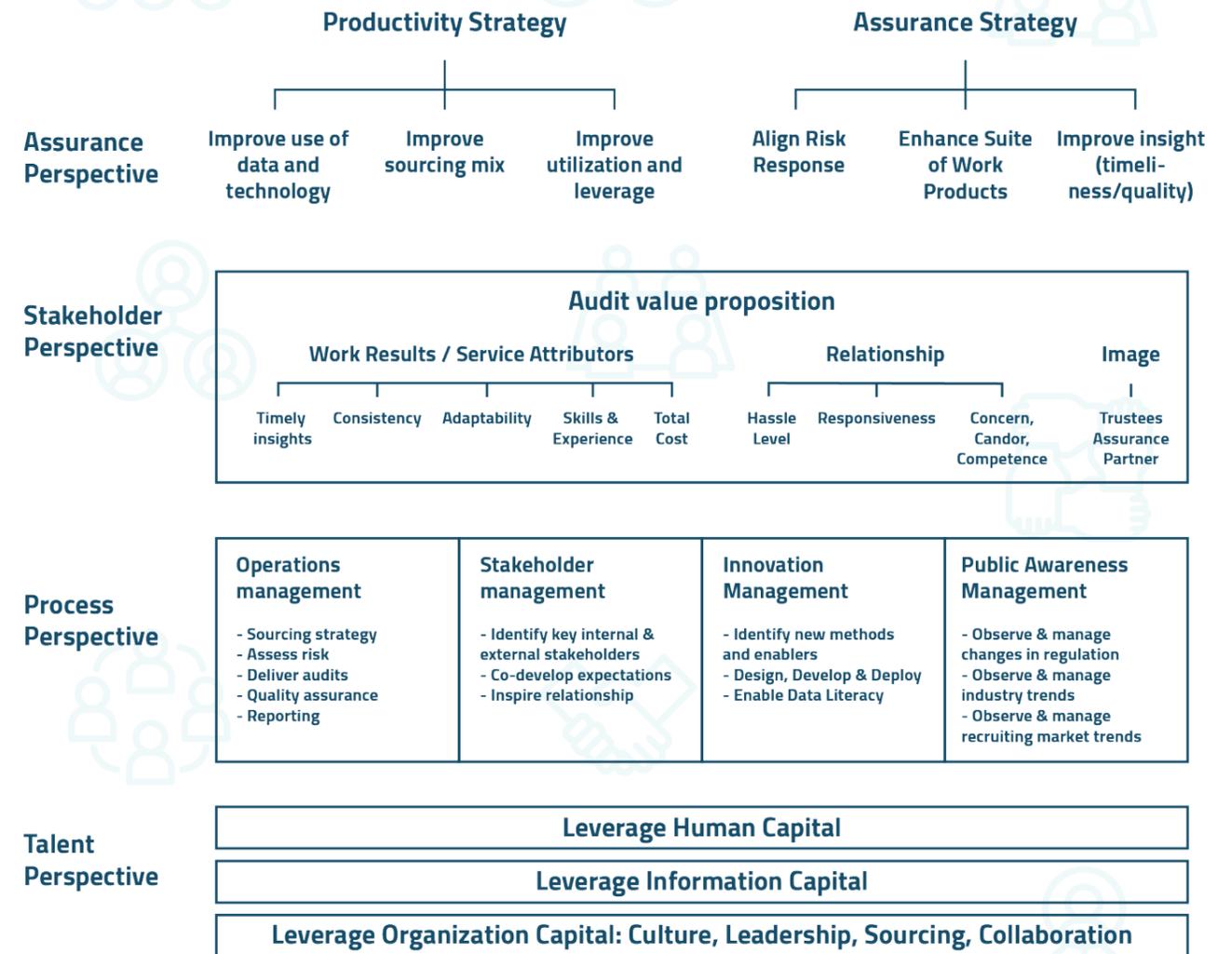


Figure 1 — Inspired by Kaplan, Robert S. (2010). “Conceptual Foundations of the Balanced Scorecard”. Harvard Business School. working paper 10-074.

Such vision should inspire the multi-year development needed to anticipate the changes in risk landscape, technology, organisation’s strategies and culture, as well as the Internal Audit mandate and availability of resources. Kaplan and Norton are suggesting to develop a Balanced Scorecard linking intangible assets and critical processes to the value proposition and Customer and Financial Outcomes¹.

¹ Kaplan, Robert S., Norton, David P. (2010). “Conceptual Foundations of the Balanced Scorecard”. Harvard Business School, working paper 10-074.

Internal Audit does not serve a financial purpose and does not provide to external customers as commercial businesses do. Nevertheless, Kaplan and Norton's logic can be adjusted by focusing the value proposition on Assurance and Stakeholders instead. The perspectives Process, and Learning & Growth occur to be equally relevant for Internal Audit, while the latter may better resonate as Talent, given various sourcing options available to staff the Internal Audit function.

Internal Audit's strategies to provide optimized assurance, to collaborate with senior leadership, to develop talent and optimize efficiency are expected to align with the defined and agreed vision for Internal Audit's future "look and feel" and will optimally address the elements associated with the BSC perspectives outlined in the above illustration.

Assurance Perspective

Given the nature of the Internal Audit activity, the Assurance perspective, as suggested above, is designed to provide a sound understanding of Internal Audit's non-negotiable mandate and mission in the context of its key drivers.

Through the Assurance lens, the CAE is challenging and optimizing those drivers transforming the quality and level of assurance, considering current

and emerging risks, the interplay of the lines of defence, as well as the corresponding sourcing of data and skills. Both, productivity strategies and assurance strategies are analysed, target levels set and development journeys defined.

The CAE is encouraged to develop a multi-year vision to gradually enhance productivity as this will provide the function with an opportunity to invest in the quality and level of assurance insights provided for stakeholders' decision making. It is recommended to consider each of the six sub-components individually and to then test them in aggregate for fitness and propensity.

Stakeholder Perspective

The Stakeholder perspective focuses on a tailored and balanced approach to interact with the wider set of stakeholder groups and to address their specific needs and expectations.

To enhance the stakeholder experience when interacting with Internal Audit, the CAE may distinguish

- work results / service attributes
- relationships
- image of the Internal Audit function

To enhance the action rate in response to Inter-

nal Audit's contribution and recommendations, all three elements of the Internal Audit value proposition must reach solid levels of performance and consistency.

Since Internal Audit is interacting with different stakeholders ranging from the undertaking's supervisor, Boards of Directors at Group and subsidiary levels, and Management, the way Internal Audit is perceived may be of a great variety. Internal Audit's maturation and transformation must consider each stakeholder group with distinct attention and interaction strategies while at the same time maintaining audit's independence and objectives.

Process Perspective

The Finance perspective, as introduced in Kaplan Bower and Norton's BSC does not appear to be of most relevance for an Internal Audit function. Budgetary discipline and efficiency as well as investment into future capabilities, however, are expected and suggested to be addressed as a matter of Internal Audit Process efficiency and effectiveness.

Working through the four components of the Process Perspective, namely

- Operations Management

- Stakeholder Management
- Innovation Management
- Public Awareness Management

is guiding the CAE in the detailing of key drivers to run a sustainable audit process and operation.

Operations Management includes the key value chain components to develop and deliver a risk based audit plan by deploying suitable skills and techniques. Sourcing Management balances the various sourcing options, e.g. "make or buy", on-shore / offshore, in the light of budgetary requirements and guidance.

Without a disciplined approach to understand specific stakeholder needs and expectations and then to co-develop a mutual understanding of the internal audit mandate, no superior internal audit experience may be expected in return. Optimizing stakeholder relationship helps protecting independence and ensuring absence of conflicts of interest.

Innovation Management may be seen as the engine to drive future relevance. The methods Internal Audit functions deploy did typically not change significantly over the course of the past decades. In the light of significant changes the business

models Insurance undertakings saw in recent years and in the light of technological advances it is reasonable to expect that Internal Audit functions would plan for respective up-grades as well. Most change is seen in the way organisations enhance their ability to deploy data science in all what they do. Rebalancing the process-control methodology with data-science based methods to extrapolate and to identify trends and root-causes will require the distinct deployment of innovation management efforts.

The internal Audit function's success is dependent on a number of external drivers as well as a beneficial public awareness of its role and contribution. Keeping the function connected with what is setting the expectations and influences perception is of critical importance. Both regulatory and industry trends and developments, as well as recruiting markets' trends must be considered.

Talent Perspective

Finally, Talent, goes much beyond the availability of resources. While technical skills and experience in fields such as actuarial, underwriting, claims, finance and IT were lead attributes for most Internal Audit functions so far, more and more functions place specific focus on empathy, creativity, and leadership acumen.

Managing Talent can be understood as a balancing of a variety of sourcing options, diversity in all its facets, subject matter skills & experiences to enhance the function's ability to address a mandate of increasing complexity.

Communicating results to the various stakeholder groups with candour, concern and competence, as well as offering an engaging and stretching environment for the audit workforce to grow, thrive and to become central attributes of effective Internal Audit functions.

Each of the three following elements focuses on enabling the Internal Audit function:

- Leverage Human Capital:
- Leverage Information Capital
- Leverage Organization Capital, Culture, Leadership, Sourcing, Collaboration

However, it is equally important to enhance the aspiration and approach to equip the function with state of the art enablers and to stay in lock-step with the resources available within the wider insurance undertaking. Concerted effort and planning is required to optimize talent over time and to ensure the availability of necessary skills.

Deploying the Scorecard

The CAE is encouraged to select / adjust the BSC perspectives to optimally support the vision and strategy for Internal Audit as agreed with the Audit Committee of the Board of Directors and other stakeholder groups as appropriate.

For each of the four perspectives a set of performance indicators addressing Internal Audit's strategies shall be established, including both lead and lag indicators, if possible.

The four BSC perspectives interact with each other. Only focusing on the Assurance perspective, without considering the impact on a diverse group of stakeholders, or without providing the Internal Audit team with appropriate growth and development opportunities, will not provide a fair value to the Insurance undertaking in neither short nor longer term as stakeholder expectations may be missed and high potential resources may leave in dissatisfaction.

Equally, only focusing on Stakeholder needs, without duly balancing Process Excellence and due absence of conflicts of interest, would surely not support a sustainable level of independent assurance as required from the third line of defence. In such scenario Internal Audit resources may be

tempted to compromise independence in order to contribute to Management needs.

The key to enhancing the impact the Internal Audit function is prepared to make in the light of the mandate as the third line of defence, is in balancing objectives, measures, targets and initiatives for optimal contribution to vision and strategy.

To ensure a solid set of measures / initiatives and corresponding targets, the CAE needs to develop a sound understanding of how vision connects to strategy, how strategy can be broken into more tangible objectives, and finally, which set of initiatives and measures help achieve these objectives in the most efficient way. The targets, also referred to as key performance indicators (KPI), help with observing progress and support a mid- and long-term alignment with key constituencies.

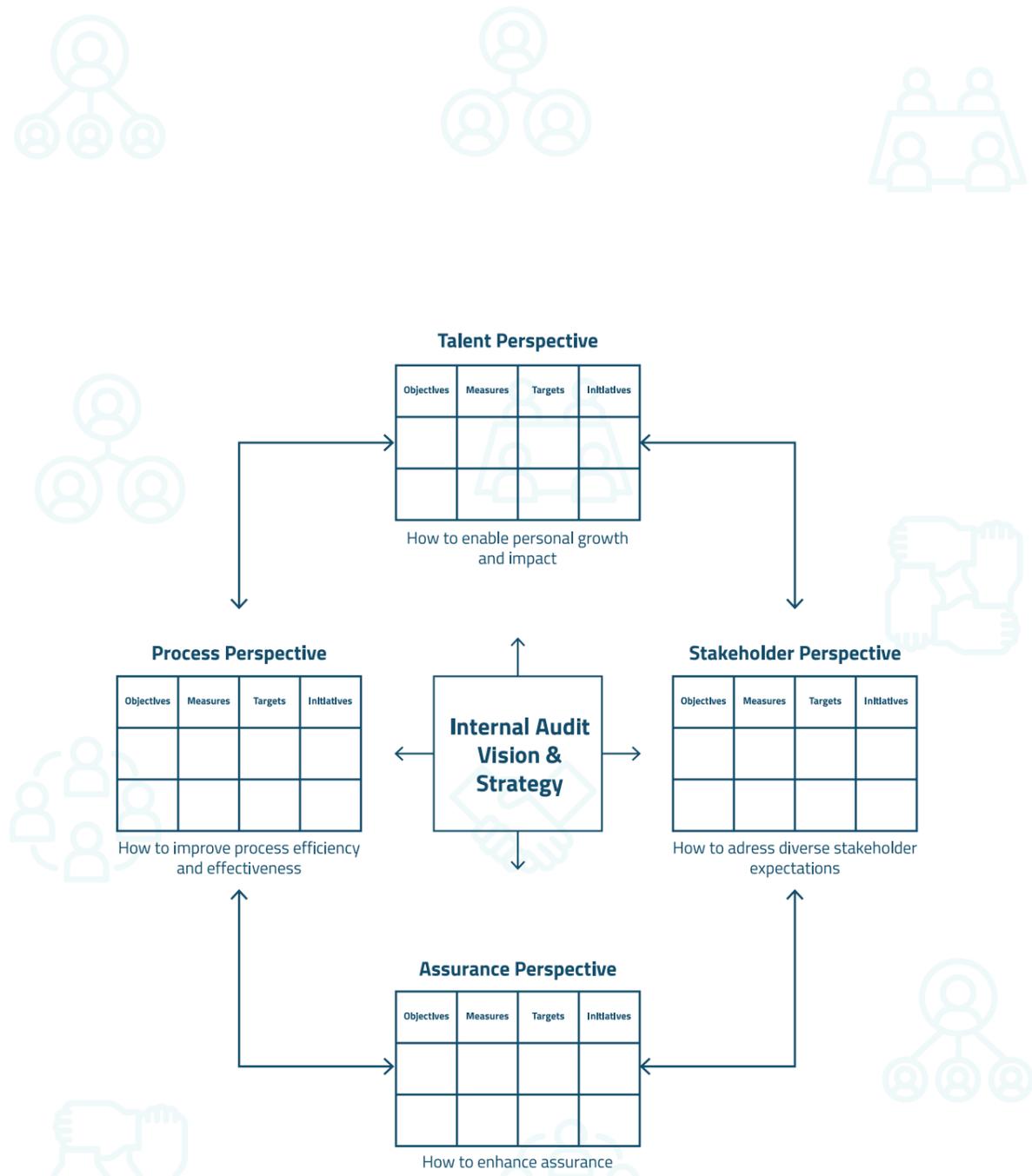


Figure 2 — Inspired by Kaplan, Robert S. (2010). "Conceptual Foundations of the Balanced Scorecard". Harvard Business School. working paper 10-074.

Illustrative Example

An Internal Audit function is envisioning to be fully aligned with the wider organization's ambition to lead into the digital age. A corresponding strategy for the Internal Audit function may be to transform assurance outcomes by leveraging data science. This strategy is expected to impact all of four BSC perspectives in some way or form and translate into specific objectives, measures / initiatives and targets. For example, Talent must get up-graded and / or re-tooled to include auditors who have a relevant data science background and experience, Assurance must include deeper data analysis and leverage methods and tools which data scientists would engage to conclude on control effectiveness and outcome effectiveness, the Process perspective must include appropriate consideration of sourcing strategy, risk assessment, and funding, etc..

Enhancing the talent pool to include deep data science as a standard skill set, may be achieved by a choice of sourcing options, and a multi-year development program for in-house resources to achieve certain proficiency levels while leveraging co-source elements in the interim. Targets to monitor progress along the outlined measures and initiatives could include a number of resources trained in data science (e.g. as demonstrated by defined academic degrees), percentage of audit observations underpinned by deep data work, quality and scope of data tools available and trained. All of this will ultimately translate into productivity and assurance outcomes, "make-or-buy" – ratio, etc.

Illustrative example — Implications for Internal Audit in the Insurance Industry

In general, there is no particular difference in the application of a BSC based on industry or sector. Internal Audit functions within the Insurance industry typically have to comply with a significant set of regulatory guidance both at Group and legal entity levels.

Addressing regulatory requirements may guide Internal Audit's responses to the four BSC perspectives. The CAE may determine specific Assurance and Stakeholder strategies to address the specific regulatory requirements and supervisory expectations. Process and Talent perspectives may face particular constraints and needs as a result.

05

Developing meaningful performance Indicators

The BSC methodology points to the linkage between vision, strategic themes, initiatives, objectives, and performance measures (baseline and target). This is essential to allow the BSC and respective performance indicators to be strategy anchored, and duly balancing qualitative and quantitative measures, i.e. guiding from cause to effect¹.

Most strategies which involve the Internal Audit function over time may not be fully implemented in a one-year cycle but spread across a number of years for full functionality and impact. Evolving the Internal Audit function is expected to align with the development cycle of the insurance undertaking. Therefore, it is encouraged to add a dynamic perspective to the BSC, i.e. providing guidance on

how performance indicators are expected to move with progressing maturation of their underpinning strategies and objectives. This may include both the alteration of performance measures from time to time and to stretch quantitative and qualitative measures year after year.

In the course of developing performance indicators to support the measurement of progress towards strategic objectives and / or strategic initiatives, the CAE will diligently select a set of both quantitative and qualitative indicators, some of which may serve as primary indicators for performance and success, while others may be considered to be of more of a supporting nature and help with gaining a more rounded appreciation of contribution and progress.

In practice, an Internal Audit function may focus its main effort on delivering the annual audit plan commitment along well established standards. To

¹ Frigo, Mark L. (2014). „The Balanced Scorecard: Applications in Internal Auditing and Risk Management“. The Institute of Internal Auditors Research Foundation 2014

conclude on how well the function is delivering on agreed objectives, it may be tempting to accept a bias towards quantitative measures. Further qualitative and supporting indicators may be defined to help navigate uncharted scorecard perspectives and elements.

The more the Internal Audit function is trending towards a specific transformation and / or matu-

BSC perspective					
Objectives	Measure	Baseline 20.X	Actual 20.X	Target 20.Y	Target 20.Z
Specific Initiatives	Measure	Milestone 20.X		Milestone 20.Y	

Table 1 — Inspired by Kaplan, Robert S. (2010). "Conceptual Foundations of the Balanced Scorecard". Harvard Business School. working paper 10-074.

06

Reporting and Demonstrating Accountability

It is encouraged to provide the Audit Committee of the Board of Directors with an appropriate status / progress overview on at least an annual basis, ideally prior to obtaining the Audit Committee's conclusion on the annual performance of the function and the CAE.



Illustrative example

The CAE may determine that the Internal Audit function's vision is to be profiled for highly data driven assurance. A matching strategy therefore may focus on recruitment and training of resources who bring a data science degree from an upper quartile university in combination with a CIA exam. Performance measures may include the percentage of auditors holding a relevant data science degree. Baseline may be set as the actual when the strategy is initiated, while the target may move into a range of 50% -- 100% over time. Strategic initiatives for becoming a data driven assurance activity, and to complement above measure, could for example deal with one time programs / investments to establish the baseline such as the identification and deployment of an Internal Audit data infrastructure, software and pilot projects.



07

Appendix A – Illustrative KPI examples

There is no “right” or “wrong” when it comes to selecting KPIs to support the short, medium or longer term development of the Internal Audit function. It is recommended to design a set of indicators that best align with the function’s direction, maturity and speed of transformation. Below is an illustrative outline of KPIs to inspire the thought process.

Perspectives	Scenarios	Baseline KPIs	Additional KPIs supporting strategic direction
Assurance Perspective	Internal Audit function targeting to transform assurance outcomes by leveraging data science, adapting audit reports to stakeholder needs while demonstrating optimal use of data and integration of subject matter expertise and insights.	Audit effort by risk category in %	Introduction of new audit work products to enable timely stakeholders decision making
		Plan delivery, including fully addressing dynamic adjustments to the plan (% vs plan)	Deployed Subject Matter Resources (Data Science) in assignment planning and delivery in %
		Adverse / favourable audit opinion ratio by company structure / operating model (%)	Percentage of deployed data scientist auditors vs. audit observations rooted in data science
		Number of open / overdue issues by company structure / operating model	Number of audits in 201Y plan arising based on data science considerations (from 201X audit results or organization wide data science)
		Audits assessed as partially- or non-compliant with professional practices (QA) in %	Visualization of data science / data analysis results to underpin root-cause analysis
			Data analytics deployment in individual assignments in % of audits or budget Audits fully considering IT / application controls (%)
Stakeholder Perspective	Internal Audit function targeting to enable key talent to deliver enhanced stakeholder experience. Inspire and enable our teams to enhance their competence and confidence in communicating and collaborating with our stakeholder groups.	Average customer feedback rating on individual assignments e.g. Transaction Net-Promoter-Score (TNPS)	Governance and Control insights & perspectives delivered to leadership teams
		Annual feedback / survey results; quality and number of adverse audit experience surveys	Quality of Internal Audit’s perspective on root causes and trends
		Senior Leadership feedback e.g. Relationship Net-Promoter-Score (RNPS)	Quality of Assurance Business partnering as measured by relationship Net Promoter Score (rNPS)
		Structured feedback from AC Chairs on IA performance both at Group and Subsidiary levels	Number and quality of consolidated / aggregated reports and control maturity assessments delivered to senior audience (both Executive Team and Audit Committee)
			Quality and frequency of contributions to Executive Teams and members of these teams Feedback on situations where Internal Audit favourably impacted Management’s approach to strengthen control effectiveness at the root cause of the observed issue

Perspectives	Scenarios	Baseline KPIs	Additional KPIs supporting strategic direction
Process Perspective	Internal Audit function intending to simplify the audit process. At a strategic but also day-to-day level, Internal Audit will be an easier, more efficient function to work in.	Budget vs. actual	Improvements in the audit planning and execution, with expected increase in the accuracy of the start / end dates and eliminations of overbookings. Re-deployment of hours identified in simplification efforts
		FTE plan vs. actual	Number and quality of deployed enablers / decommissioned outdated audit enablers
		Average audit cycle time in days	Quality and number of group-wide collaborations to enhance skills- and experience enrichment
		Leverage director / non-director	Up-grade of audit automation suite of tools and enablers delivered or reached milestone X
		Utilization	
Average cost per hour (including co-sourcing and deployment of bots)			
Talent Perspective	Internal Audit function driving empowerment and innovation among audit teams for improved engagement and organizational health. Internal Audit is recognized for providing fair and relevant career counselling and development opportunities consistent with our principles of diversity and inclusion.	Professional certification (audit Manager and above) (%)	Diversity indicator: gender, age bracket, skill
		Insurance Certification (Senior Manager and above) (%)	Development of organizational health index position for internal audit to reach or exceed firm average (or equivalent, such as engagement index, Employee Net-Promoter-Score (ENPS), etc.)
		Number of trained Data Scientists	Competency leaders attaining expert or advanced levels
		Number of people trained in advanced analytics	Enhance average tenure of re-sources up to manager by X years / months
		Structured education hours per FTE, including for core competencies	Development of advanced and mastery competency skills for core competencies and skills
		Attrition in % by potential level	
		Number of transfers into the business	
		Number of transfers from the business	

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Appendix B – Illustrative Example BSC / KPI table

Quantitative measures for 20XX to 20XY – Illustrative Example I

IAA Objectives	IA Scorecard quantitative measures	Baseline	Target	Forecast	Target
		20XX	20XY	20XY	20XZ
Assurance	Plan delivery, including fully addressing dynamic adjustments				
	Audits assessed as non-compliant with professional practices requirements				
	Deployed SMRs in assignment planning and delivery				
	Data analytics deployment in individual assignments				
	IT integrated audits				
Talent	Professional certification (Audit Manager & above)				
	Insurance Certification (Senior Manager & above)				
	Data Scientists Focused /Designated				
	Structured education hours per FTE, including for core competencies				
	Competency leaders attaining expert or advanced level				
	Attrition %				
	Transfers into the business				
	Transfers from the business				
Stakeholder	Average customer feedback rating on individual assignments (Scale 1-5)				
	Feedback from CEO / CEO –1 on GA performance				
	Feedback from AC Chairs on GA performance				
Process	Control assessments for Group & material entities delivered				
	Average audit cycle time in days				
	Leverage director/non-director ranks				
	Utilization				

Qualitative measures for 20XX – Illustrative Example II

Qualitative measures to monitor IA's progress around these aspects in 20XX has been presented in the Balanced Scorecard below:

Development focus and objectives	20XX KPIs	Assurance	Stakeholder	Talent	Process
Simplify audit process: At a strategic but also day-to-day level Internal Audit will be an easier, more efficient function to work in	Improvements in the audit planning and execution, with expected increase in the accuracy of the start / end dates and eliminations of over-bookings. Re-deployment of hours identified in simplification efforts				
	Number and quality of deployed enablers / decommissioned outdated audit enablers				
Transform assurance outcomes by leveraging Data Science: Our audit reports will be adapted to auditee needs and demonstrate optimal use of data and integration of subject matter expertise and insights	Data science perfusion and percentage of data science work per audit				
	Visualization of data science / data analysis results to underpin root-cause analysis				
	Quality of our data science hub-and-spoke network				
	Relate number of active qualified members to percentage of audit observations rooted in data science				
Drive empowerment and innovation among our audit teams for improved engagement and organizational health: IA is recognized for providing fair and relevant career counselling and development opportunities consistent with our principles of diversity and inclusion	Development of Organizational Health Index position for Internal Audit to reach or exceed Company Average				
	Enhance average tenure of resources up to manager by 0.5 years				
Develop our key talent to deliver enhanced stakeholder experience: Inspire and enable our teams to enhance their competence and confidence in communicating and collaborating with our stakeholder groups	Development of advanced and mastery competency levels for core competencies and skills				
	Quality and frequency of contributions to Executive Teams and members of these teams				
	Annual feedback / survey results; quality and number of adverse audit experience surveys				
	Feedback on situations where Internal Audit favourably impacted Management's approach to strengthen control effectiveness at the root cause of the observed issue				

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Appendix C - Bibliography

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About ECIIA

The European Confederation of Institutes of Internal Auditing (ECIIA) is the voice of internal audit in Europe.

Our role is to enhance corporate governance through the promotion of the professional practice of internal auditing. Our members are comprised of 34 national institutes of internal auditing from countries that fall within the wider European region, representing 48.000 members and around 12.000 active in the insurance sector. The ECIIA mission is to further the development of good Corporate Governance and Internal Audit at a European level, through knowledge sharing, developing key relationships, and impacting the regulatory environment, by dealing with the European Union, its Parliament and any other European regulators and associations representing key stakeholders.

The insurance Committee

The Committee is made up of CAEs from the insurance sector in Europe. The Committee is responsible for ensuring the internal audit profession for the insurance sector in Europe is heard by the EIOPA, the European Insurance Regulator.

The Committee promotes the professionalism of the internal audit function in the European insurance sector through knowledge sharing between the member institutes and the practitioners.

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This paper was prepared by the ECIIA Insurance Committee.

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