# Monitoring The Implementation Of Internal Audit Recommendations: A Three-Stage Control Indicator (Action-Progress-Impact)

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**Abstract.** This paper proposes a three-stage control indicator model—Action, Progress, and Impact (API)—to enhance the monitoring and implementation of internal audit recommendations. By structuring the process into these three stages, the API framework aims to ensure not only the prompt execution of audit findings but also the continuous tracking of progress and evaluation of long-term impacts. Drawing on insights from public sector organizations in Romania and state-owned enterprises in Indonesia, the paper demonstrates how the API model can promote transparency, accountability, and sustained performance improvements. Despite challenges such as data system integration and cultural resistance, the API framework offers a systematic and holistic approach that aligns internal audit practices with organizational governance and strategic objectives. The findings underscore the potential of the API model to strengthen internal control, risk management, and overall organizational resilience.

**Keywords:** Internal audit, Action-Progress-Impact (API) framework, monitoring, organizational governance, risk management, performance measurement, accountability.

## Introduction

Internal audit functions (IAFs) are integral to modern organizational governance, providing independent assurance, risk management insights, and facilitating continuous improvement (Rittenberg & Hermanson, 2003). Their role has evolved significantly over the years, transitioning from a compliance-focused activity to a value-adding component of governance frameworks that shapes strategic decision-making and operational efficiency (IIA, 2022).

A critical aspect of internal audit effectiveness is the implementation and monitoring of audit recommendations. Recommendations emerging from audit engagements typically highlight vulnerabilities, control deficiencies, or opportunities for efficiency improvements. However, despite their significance, many organizations struggle to ensure that these recommendations are consistently acted upon and embedded into operational processes (Dascalu et al., 2016). Challenges such as inadequate follow-up mechanisms, fragmented information systems, and limited stakeholder accountability can hinder the realization of intended improvements (Akimova et al., 2022).

Traditional approaches to monitoring audit recommendations often focus solely on immediate actions taken to address identified issues. While these approaches provide an initial layer of accountability, they frequently overlook the need to track the broader trajectory of progress and measure the ultimate impact on organizational performance and governance structures. Consequently, there is a risk that audit findings, even when formally addressed, may not translate into meaningful or sustained improvements (Kusnadi & Kirana, 2023).

To bridge this gap, there is a need for a more comprehensive and structured framework that goes beyond simple action tracking. This paper proposes a three-stage control indicator
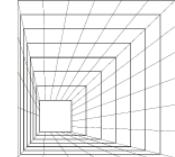
model—Action, Progress, and Impact (API)—designed to provide a holistic and systematic approach to monitoring the implementation of internal audit recommendations. The Action stage focuses on the immediate steps taken in response to audit findings, the Progress stage tracks the evolution and ongoing development of these actions, and the Impact stage evaluates the long-term effectiveness and contribution to organizational goals.

The development of the API framework is informed by existing theoretical and practical insights into internal audit functions, performance monitoring systems, and risk-oriented approaches to organizational governance (Dascalu et al., 2016; Akimova et al., 2022; INTOSAI, 2010). By integrating these perspectives, the API framework aims to reinforce internal audit's role in promoting accountability, risk mitigation, and performance enhancement within complex organizational environments.

The remainder of this paper is structured as follows: Section 2 provides a review of the existing literature and theoretical underpinnings of performance monitoring within internal audit functions. Section 3 describes the conceptual methodology employed to develop the API framework. Section 4 presents the proposed framework and discusses its application and potential benefits. Section 5 concludes the paper with a summary of key insights and recommendations for future research and practical implementation.

## 2. Literature Review

Effective monitoring of internal audit recommendations is fundamental to strengthening organizational governance and accountability. Research by Rittenberg and Hermanson highlights that internal audit functions (IAFs) are not only tasked with identifying control weaknesses but also play a critical role in "supporting governance structures and improving organizational performance"(Rittenberg & Hermanson, 2003). This underscores the importance of not just conducting audits but ensuring that recommended actions are successfully implemented and monitored over time.

Studies have shown that the effectiveness of internal audit depends on its ability to ensure the sustainability of improvements identified during audit processes. Dascalu et al. emphasize that "performance measurement involves the identification, supervision and communication of performance results," (Dascalu et al., 2016) which is essential for effective decision-making and continuous improvement within public sector organizations. Their findings suggest that internal audit monitoring requires structured and relevant indicators to ensure targeted results are achieved, going beyond mere compliance checks.

Kewo and Afiah further argue that "internal control systems and internal audit partially and simultaneously have positive effect on the quality of financial statements" (Kewo and Afiah, 2017), highlighting the interconnectedness of internal control, audit effectiveness, and financial performance. This relationship points to the need for a robust framework that not only verifies whether actions have been taken, but also measures their effectiveness and impact on organizational outcomes.

The limitations of traditional monitoring approaches are noted in the work of Akimova et al., who discuss the benefits of a "risk-oriented approach in the system of internal auditing of the subjects of financial monitoring"(Akimova et al., 2022). They suggest that without a risk-based and continuous monitoring mechanism, internal audit findings may not lead to substantial organizational changes or risk mitigation.

A similar theme emerges in the analysis by Kusnadi and Kirana, who identify challenges in audit application systems that "lack of a blueprint…which would facilitate the application's development and serve as a direction and master plan for designing an application" (Kusnadi & Kirana, 2023). This points to broader issues in integrating internal audit monitoring into organizational systems, where the absence of a clear framework can hamper progress and dilute accountability.

The need for performance measurement tools that encompass action, progress, and impact is also supported by global standards, such as the guidelines set by the International Organization of Supreme Audit Institutions (INTOSAI, 2010). These guidelines advocate for "a holistic approach to performance measurement that considers economy, efficiency and effectiveness in resource utilization," aligning closely with the proposed three-stage control indicator framework in this paper.

Taken together, the literature suggests that current practices in monitoring internal audit recommendations often lack a structured framework that integrates immediate actions, continuous progress tracking, and long-term impact assessment. While audit activities and recommendations may be well-articulated, their effectiveness is frequently undermined by fragmented or ad hoc monitoring mechanisms (Akimova et al., 2022; Dascalu et al., 2016). This gap underscores the need for a comprehensive and standardized approach, such as the Action-Progress-Impact (API) framework proposed in this paper, to fully realize the value of internal audit and ensure continuous performance improvement within organizational governance structures.

**Methodology**

This study is based on a conceptual framework approach, integrating existing theories and empirical findings from internal audit literature. Five recent publications on internal audit, performance monitoring, and risk-based approaches were analyzed to synthesize the API framework's theoretical underpinnings. The proposed model is also informed by case studies and practical applications of internal audit functions in public and private sector organizations.

**Results and Discussion**

The proposed Action-Progress-Impact (API) model is designed to systematically monitor and evaluate the implementation of internal audit recommendations within organizations. Drawing on a combination of theoretical perspectives and empirical insights from global practices, this framework provides a clear roadmap for translating audit findings into concrete, measurable improvements.

The first stage of the API model, **Action**, emphasizes the prompt response to audit recommendations. This involves translating the findings of internal audits into specific actions that are practical and achievable. In many organizations, this stage includes developing detailed action plans that identify who will be responsible for each recommendation, what resources are needed, and how these actions align with organizational objectives. For example, in public sector institutions in Romania, the head of the public entity is tasked with ensuring that relevant quantitative and qualitative indicators are established for each activity, ensuring accountability and timely execution of audit recommendations (Dascalu et al., 2016).

The second stage, **Progress**, focuses on tracking the ongoing status of these actions to ensure that they are not only implemented but are also being actively monitored and adjusted as needed. This stage involves the establishment of milestone indicators and regular reporting mechanisms. In Indonesia's state-owned enterprises, the development of digital platforms like the Internal Audit Monitoring System (IAMS) allows for dynamic tracking of progress indicators, such as completion rates, adherence to timelines, and resource utilization (Kusnadi & Kirana, 2023). Regular progress reports and visual dashboards can enhance transparency within the organization and foster better communication among various stakeholders.

The final stage, **Impact**, involves evaluating the long-term outcomes and effectiveness of the actions taken. This is a critical stage as it moves beyond compliance and focuses on measuring how the implemented recommendations contribute to broader organizational goals and risk mitigation efforts. For example, internal audit findings linked to cost savings, improved service delivery, or reduced exposure to financial risk can be used as key performance indicators to assess the true impact of the internal audit function (Kewo & Afiah,
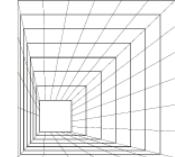
2017). In many organizations, this stage requires robust data collection processes and analytical capabilities to accurately measure outcomes and identify areas for further improvement.

To provide a clearer overview, the following table summarizes the three stages of the API model, along with practical indicators and examples of their application in real-world organizational settings:

**Table 1. The Three-Stage Control Indicator Model (API)**

| Stage | Key Features | Practical Indicators | Examples from Practice |
|---|---|---|---|
| Action | Immediate response to audit findings, action planning, and assigning responsibilities | - Number of recommendations implemented- Deadlines and accountability assigned- Alignment with strategic objectives | - Romanian public sector: action plans with measurable indicators for each activity (Dascalu et al., 2016)- Indonesian SOEs: digital task assignments and allocation |
| Progress | Ongoing monitoring of implementation efforts, tracking of milestones and resource use | - Milestone completion rates- Resource allocation efficiency- Adjustments to implementation plans | - IAMS in Indonesian SOEs: progress dashboards and digital tracking of audit recommendations (Kusnadi & Kirana, 2023) |
| Impact | Evaluation of long-term outcomes, linking audit actions to organizational performance | - Performance improvements (cost savings, risk reduction)- Contribution to governance and strategic objectives- Sustainability of implemented actions | - Local governments: improved financial reporting quality and stakeholder trust (Kewo & Afiah, 2017)- Risk reduction and organizational resilience indicators |

The integration of these three stages within an organization's internal audit monitoring practices ensures a comprehensive and dynamic approach to continuous improvement and risk mitigation. While each stage has unique challenges—such as ensuring timely action in the Action stage, maintaining data integrity in the Progress stage, and measuring true performance outcomes in the Impact stage—collectively, the API model provides a robust framework that supports strategic decision-making and strengthens governance processes.

For organizations that have already begun implementing digital solutions or risk-oriented approaches to internal auditing, the API framework serves as a powerful complement. By moving beyond a checklist mindset to a phased evaluation of internal audit recommendations, organizations can better align their internal audit function with their strategic priorities and promote a culture of accountability and transparency.

The implementation of the Action-Progress-Impact (API) framework provides several clear benefits to organizations aiming to strengthen their internal audit processes and governance structures. Firstly, this model ensures a structured and phased approach to monitoring, which moves beyond superficial compliance checks and fosters a culture of continuous improvement. By clearly defining the stages of action, progress, and impact, the API framework guides organizations in translating audit findings into sustained operational improvements.

One of the primary benefits is the enhancement of transparency and accountability throughout the organization. When audit recommendations are monitored systematically using the API framework, it becomes easier for managers and stakeholders to identify who is responsible for each stage and to track how far each recommendation has progressed. This
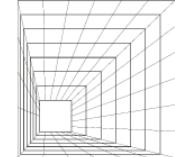
transparency can increase trust in the internal audit function and in overall governance processes. For instance, in Romanian public sector institutions, where structured performance indicators are required for each activity, the API framework complements these requirements by providing a roadmap for linking audit recommendations directly to measurable organizational goals.

Another significant benefit is improved risk mitigation and decision-making. By focusing on impact rather than just actions taken, the API model ensures that audit findings lead to measurable performance outcomes—such as cost reductions, enhanced service quality, or reduced exposure to compliance risks. In the Indonesian context, the integration of the API framework with digital monitoring systems like IAMS has demonstrated how data-driven tracking of audit recommendations can reduce administrative bottlenecks and highlight areas requiring additional support or corrective action.

Despite these clear advantages, the implementation of the API framework is not without challenges. One major challenge is the need to integrate the framework within existing organizational structures and digital infrastructures. Many organizations still rely on fragmented or manual monitoring processes that are ill-suited to tracking progress or measuring long-term impact. For example, in Indonesian state-owned enterprises, limitations of the existing digital systems—such as the lack of a comprehensive blueprint for application development—can create inconsistencies in data collection and reduce the effectiveness of progress tracking.

Another practical challenge is securing buy-in from management and operational staff. The API model requires active participation and cooperation from various departments and units across the organization. If staff view the monitoring process as an additional administrative burden, they may be less likely to engage fully with the model. Moreover, organizational cultures that are resistant to change can pose significant obstacles, particularly in environments where there is limited understanding of how structured monitoring can drive strategic and operational improvements.

Measuring long-term impact also requires robust data systems and analytical capabilities, which may be lacking in some organizations. Without reliable data on key performance indicators, it can be difficult to assess whether the actions taken in response to audit findings have led to meaningful changes in risk exposure or organizational performance. As a result, organizations may struggle to move beyond the Progress stage of the API model and may fail to fully realize the benefits of linking audit recommendations to impact-driven performance measures.

To provide a clearer comparison of these practical aspects, the following table summarizes the main benefits and challenges of implementing the API framework within organizations:

**Table 2. Benefits and Challenges of Implementing the API Framework**

| Aspect | Benefits | Challenges |
|---|---|---|
| Structured Monitoring | - Creates a clear, phased roadmap for monitoring | - Requires integration into existing processes and systems |
| | - Moves beyond compliance to sustained improvement | - May face resistance due to complexity or change fatigue |
| Transparency & | - Increases accountability and stakeholder trust | - Risk of superficial buy-in without genuine engagement |
| Accountability | - Clarifies roles and responsibilities across departments | - Possible data inconsistencies in manual or outdated systems |

| Risk Mitigation & | - Links audit recommendations to risk reduction and | - Requires robust data systems for impact measurement |
|---|---|---|
| | performance outcomes | - Gaps in data may undermine effectiveness |
| Decision-Making | - Enhances decision-making through data-driven insights | - Challenge in adapting model to different organizational |
| | | cultures and governance structures |
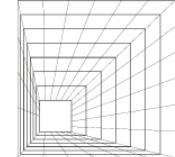
Overall, while the API framework presents some challenges related to data, culture, and system integration, it remains a powerful tool for enhancing the effectiveness of internal audit functions and ensuring that audit recommendations lead to real and measurable improvements. Organizations that are proactive in addressing these challenges—through staff training, system upgrades, and a focus on strategic alignment—can fully leverage the benefits of the API model, strengthening their governance practices and driving sustainable organizational performance.

**Conclusion**

This paper proposed and explored the Action-Progress-Impact (API) framework as a three-stage control indicator model for effectively monitoring the implementation of internal audit recommendations. The framework offers a structured approach that moves beyond traditional compliance-based tracking, emphasizing sustained improvements and performance outcomes. Through the Action stage, organizations can ensure prompt responses to audit findings with clear accountability. The Progress stage enables continuous tracking and refinement, while the Impact stage focuses on measuring long-term outcomes and contributions to strategic objectives.

Empirical evidence and practical examples from Romania and Indonesia demonstrated how the API model enhances transparency, accountability, and risk mitigation. Despite challenges such as integrating the model into existing systems and fostering stakeholder buy-in, the API framework presents a powerful tool for aligning internal audit practices with organizational governance and performance.

Future research should empirically validate the API framework across diverse industries and organizational cultures, considering its adaptability and effectiveness in different contexts. Overall, the API framework represents a significant step toward improving the role of internal audit in driving continuous improvement and achieving organizational resilience in an increasingly dynamic environment.

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