



# “Becoming an Effective Internal Auditor- Techniques”

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INTERNAL AUDITOR GENERAL



# Session Overview



1. Definitions
2. Role of Internal Audit
3. Technical skills
4. Non Technical Skills
5. Top 5 Skills for an Effective Internal Auditor
6. 4 Personal Skills for an Effective Internal Auditor
7. 7 Gears of becoming Effective Internal Auditor
8. Summary
9. Conclusion



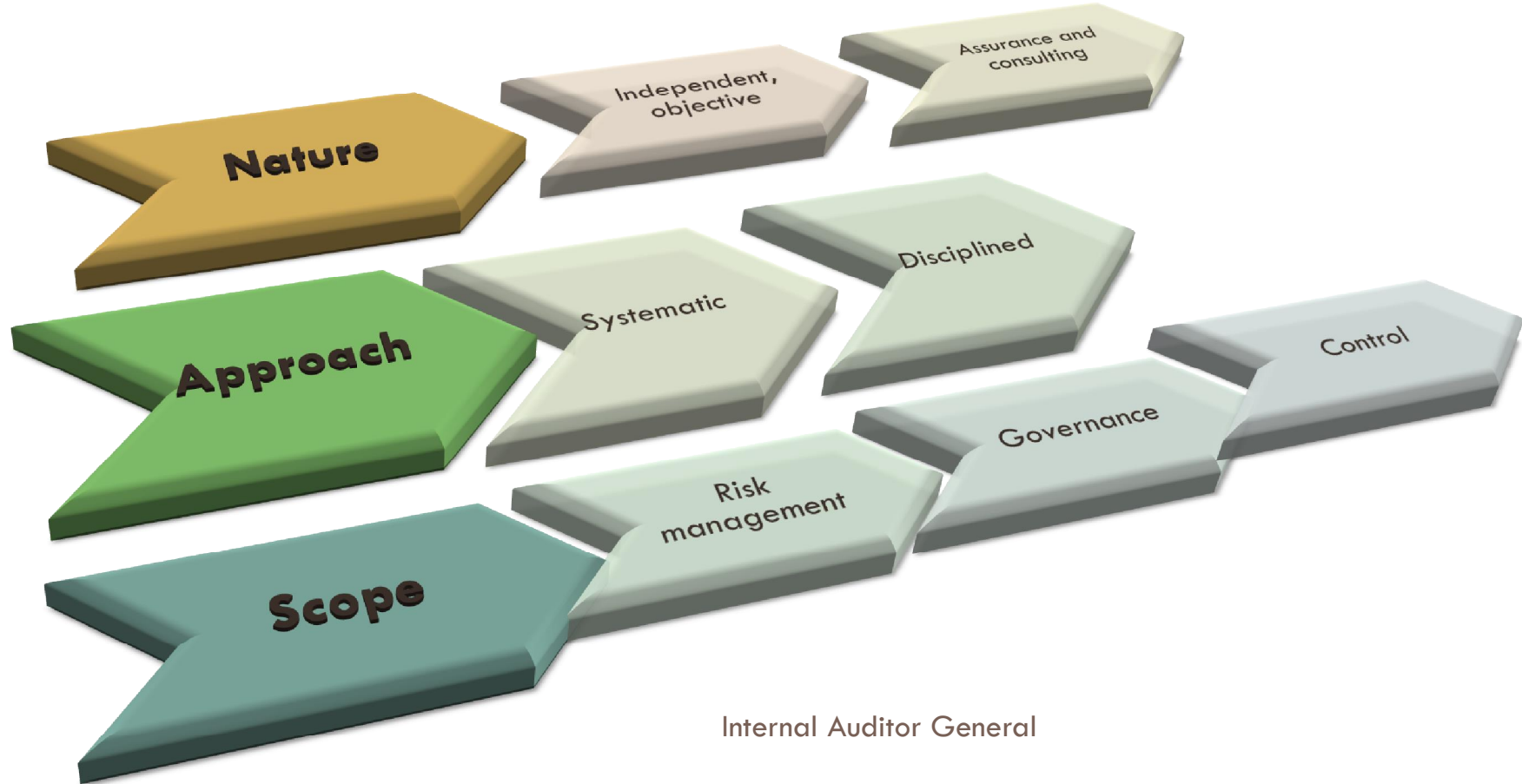
# Definition-Internal Audit



- **Internal audit** is an independent, objective assurance and consulting activity designed to **add value** and **improve** an organisation's operations.
- It helps an organisation accomplish its objectives by bringing a **systematic, disciplined** approach to **evaluate** and **improve** the effectiveness of ***risk management, control*** and ***governance processes.*** (iia Global

# Definition of Internal Audit

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Internal Auditor General

# Role of Internal Audit

5

- ❑ Internal Auditing is a MGT-oriented discipline
- ❑ Evolved from a financial and accounting control focus, to a range of operating activities in Risk Management and Governance
- ❑ Clear shift from compliance–centric to risk-centric providing both assurance and consulting in Governance and Risk management
- ❑ Increased scope for IA contributes to achievement of goals and business sustainability at large, and is in line with the definition.....;

# Role of internal audit

6

- ❑ Internal audit is uniquely positioned to be a trusted advisor to management in organisations.
- ❑ The role of internal audit is to assist management achieve the objectives in the most efficient, economic and effective way
- ❑ Internal audit must address the highest risk first (which in most cases is not financial)
- ❑ Internal audit has to be pro-active - must catch the problem before it happens!

# Role of internal audit

7

- Regulatory changes, economic headwinds and the interconnectivity of business require most companies to operate in a more agile manner
- This dynamic forces internal audit – to remain vigilantly informed of the latest global developments affecting the company and how the company intends to respond to external drivers of change.



# Definition-Internal Auditor



## What is an 'Internal Auditor'

- An employee of a company charged with providing independent and objective evaluations of the company's financial and operational business activities, including its corporate governance.
- Internal auditors also provide evaluations of operational efficiencies and will usually report to the highest levels of management on how to improve the overall structure and practices of the company.





# Definition- Effective



- Effectiveness is the capability of producing a desired result.
- When something is deemed effective, it means it has an intended or expected outcome and there is vivid impression to achieve that.



# Flexibility in Internal Audit Practice



- ❑ Internal audit professionals are expected to operate with the same agility that their companies need to exhibit amid ongoing external volatility.
- ❑ On a professional level, this agility has two dimensions,
  1. The **intellectual** ability required to constantly absorb new information; and
  2. The **flexibility** that enables them to switch priorities and projects quickly and comfortably in response to rapidly changing business conditions.



# Techniques of becoming an effective internal auditor



Acquire:

- ❑ Technical skills/Expertise
  
- ❑ Non-technical Skills
  - ❖ Business Acumen
  - ❖ Risk Management
  - ❖ Communication savvy



# Techniques of becoming an effective internal auditor



- Technical skills:
  - ❖ Mission
  - ❖ Mandatory Guidance(Core Principles)
    - Definition
    - Standards
    - Code of Ethics
  - ❖ Recommended Guidance
    - Implementation Guidance
    - Supplemental Guidance



# Non-technical Skills



## **Business Acumen:**

- Inquisitiveness
- Persuasiveness
- Change Management Proficiency
- A service orientation
- Ability to respond to diverse thinking style, learning styles and cultural qualities
- A global mindset



## Top 5 skills required by IA Recruiters



The results of the 2012 Global Pulse of the Internal Audit Profession survey conducted by The IIA's Audit Executive Center:

- Analytical and critical thinking (72 percent)
- Communication skills (57 percent)
- IT general skills (49 percent)
- Risk management (49 percent)
- Business acumen (43 percent)



## 4 Personal skills for improvement



In the 2012 survey report, chief audit executives (a subset of the larger respondent group) identified only one technical area among the top personal skill areas they want to improve:

1. Presenting (public speaking)
2. Developing board committee relations (beyond audit committee) Developing outside contacts/networking (tie)



## 4 Personal skills for improvement



3. Persuasion Using/mastering new technology and applications (tie)
4. Negotiation - Dealing with confrontation





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# Effective Internal Auditor “branding”



- “If you’ve developed a brand as a great and **effective internal auditor**, your phone is going to ring off the hook from people in the business who want your help,”
- **“At the end of the day, we’re not paid by the audit report or by the audit finding.**
- **We’re paid by how we can make the company better.”**



# Seven Gears of an Effective Internal Auditor



- **Integrity**
- **Relationship Building**
- **Partnering**
- **Communication**
- **Teamwork**
- **Diversity**
- **Continuous Learning**



# Seven Gears of an Effective Internal Auditor



## 1. Integrity

- ❑ Even the most successful internal auditors contend with push-back.
- ❑ Similarly, even the most thoroughly researched, rigorously supported and fairly presented audit reports can generate disagreement.
- ❑ This is only natural: anger and denial represent natural reactions when human beings receive difficult news, or a disappointing “assessment” on an internal audit report.

# Seven Gears of an Effective Internal Auditor

- Personal integrity as a must-have quality at all levels of the function.
- Internal auditors have a “professional mandate” to exhibit integrity as well as trust, independence, objectivity and similar qualities in all of their work.

# Seven Gears of an Effective Internal Auditor

- Resiliency represents another facet of integrity. Regardless of the strength of a company's business processes and organizational culture, there will be times when managers cringe when internal audit calls them.
- “People may push back on you or they may not be completely forthright, especially in situations in which someone has not done a good job,”
- “You have to be tough and resilient in those scenarios so that you can push through all of the resistance and then work with people in a constructive manner.”

# Seven Gears of an Effective Internal Auditor



- Integrity requires confidence, as well as balance.
- Hiring processes are designed to determine the extent to which integrity is part of a candidate's personal fabric.

# Seven Gears of an Effective Internal Auditor

## 2. Relationship-Building

- One of the most pervasive objectives across all internal audit functions consists of cultivating trust and respect with other professionals throughout the business.
- This helps build productive, highly collaborative and mutually beneficial relationships. Achieving this objective requires the laying of groundwork.
- The need to develop healthy, deep relationships with all levels of the business takes time.
- The most successful internal audit professionals invest countless hours building trust throughout the organization. Fostering this credibility helps
  - ❖ **Reduce resistance during the auditing process;**
  - ❖ **Increase the speed and volume of information that business partners can deliver in response to internal audit requests; an**
  - ❖ **Encourage the business to understand and embrace internal audit's consultative role.**



# Seven Gears of an Effective Internal Auditor

- “If you have a trusting relationship with someone, it’s much easier to have the kind of conversation necessary to get their rating from an 88 to a 93,”
- Internal auditors often think along the lines of, ‘OK, I have an audit with “Mr. Juma” coming up in two months, so I better go meet Scott and get friendly with him.’ That doesn’t work. Internal auditors, many of whom are introverts by nature, need to go out and invest the time necessary to build genuine relationships well in advance of ‘needing’ them.”
- Effective relationship-building requires several other attributes, including business acumen, knowledge of the company (and its risks), persuasion and empathy.
- Internal auditors should be able to walk in the shoes of the business people they audit.

# Seven Gears of an Effective Internal Auditor

- “Persuasiveness also is vital,”

**Effective Internal auditors should possess the ability to convince people that they are there to add value to the business.**

# Seven Gears of an Effective Internal Auditor

## 3. Partnering

- “Partnership” represents another broad ideal soft gear for Effective Internal Auditor.
- Effective partnering hinges on a service orientation (a key measure in the performance management framework for internal auditors).
- “Service-oriented refers to the ability to go out and execute via partnership with the business and operational leaders,”
- “Being service-oriented absolutely requires internal auditors to know, and keep current on, what’s going on in the business

# Seven Gears of an Effective Internal Auditor

- An Effective Internal Auditor need to know
  - ❖ what these leaders' projects are,
  - ❖ what they're spending their money on,
  - ❖ their top risks and their emerging risks.
- Bring the knowledge into audit plan
- Remain balanced between providing customer service and meeting all of regulatory requirements

# Seven Gears of an Effective Internal Auditor

- Effective partnering or “good” partnering is to ensure the best outcomes for the business also requires the ability to spot and share best practices.
- Inspiring partners to adopt best practices requires change-management skills.
- Change management requires an understanding of the current state of a business process as well as clear guidance to business partners regarding how they can think through the systems, processes, and/or people changes they need to institute to achieve a best-practice state.
- “Managing change to effect organizational improvement in a company is difficult,”
- “It’s also important, and an area in which internal audit can add tremendous value by improving operational efficiencies, identifying potential risks and, ultimately, making the company a better company.”

# Seven Gears of an Effective Internal Auditor

## 4. Communication

- The nature of organizational communication is changing rapidly.
- Driven by the emergence of social media (and the shorter bursts of more immediate information social media users expect) as well as the ever-increasing supply of organizational data and information,
- This transformation places fresh demands on internal audit professionals. It is important to note that effective communication skills extend beyond well-written reports and into verbal communication.
- Need to maintain an ongoing and two-way (i.e., talking and listening) dialogue, both formally and informally, with the rest of the enterprise.
- Written communication also rates as critical. “Very few people in the company look at anything internal audit writes other than the audit report,”
- “The audit report is the only document depicting a 1,000 hour audit, so we need this document to sing a beautiful song.”

# Seven Gears of an Effective Internal Auditor

- Making the audit report humane requires sharp written skills that convey a crystal-clear message in as few, well-chosen words as possible.
- Some audit reports are too lengthy at a time when most managers are inundated with a need to read dozens, or even hundreds, of emails, blog entries and tweets on a daily basis.
- Present crucial information more efficiently and in a more compelling fashion).
- Internal audit's reports also represent an extension of its brand. Besides conveying factual information, the tone should inspire trust and credibility, as well as demonstrate a service orientation (i.e., an understanding of the impact of the report's findings and recommendations on the specific part of the business).

# Seven Gears of an Effective Internal Auditor

## Use of “visual analytics.”

- As the use of continuous auditing and monitoring grows steadily, internal audit functions have massive amounts of information to support their conclusions and guidance.
- “We have instantaneous access to powerful information that can help us show our partners trends, tolerance, concerns and much more,”
- “If you put this information in a spreadsheet with 40 columns and 2,000 rows and ask partners to digest it, their interest will be, at best, subdued.
- Use right visual analytics
- This is something beyond a pie chart – it can inspire a compelling reaction right away.”



# Seven Gears of an Effective Internal Auditor

## 5. Teamwork

- The same partnering attributes that internal auditors apply while serving their customers also help foster better relationships with internal audit colleagues.
- “I don’t want someone here if they cannot function on a team,” (Quote from one CAE)
- The highly integrated nature of the business processes internal audit examines requires intensive collaboration among internal auditors with different areas of technical expertise.

# Seven Gears of an Effective Internal Auditor

- The ability to thrive on a team requires emotional intelligence, skills to influence, lead and empathize (supported by sharp business acumen)
- “Internal auditors with that capability are the types of people who get promoted throughout the business because of their ability to influence others,”

# Seven Gears of an Effective Internal Auditor

## 6. Diversity

- Some internal audit functions cultivate stronger teamwork via diversity, another frequently mentioned quality that possesses a number of dimensions, according to leading CAEs.
- Changing demographics and the accelerating pace of globalization require internal audit functions to influence and consult with a larger variety of ethnicities, nationalities, ages, cultures and subcultures within their companies. Chief audit executives emphasize the need to manage diversity in a comprehensive sense – one that also addresses different thinking and learning styles.
- It is important to see challenges through as many different perspectives as possible.
- “global mindset” is one of the attributes sought when hiring internal auditors. “A global mindset will mean something different to each company,”

# Seven Gears of an Effective Internal Auditor

- “Diversity is about perspectives, experience and skills, too. We try to do as much cross-pollination as possible to expose internal auditors to diversity in its holistic sense.”

# Seven Gears of an Effective Internal Auditor

- “Diversity is much more than ethnicity or male/female,”
- “Diversity of thought, experience and generational differences are also critical.
- Internal auditors could be working with four generations, and must learn how to flex their styles to communicate with each person they interact with to recognize those differences.
- Developing diversity competencies is critical today. As an auditor, you need to make sure you have the sensitivity and flexibility necessary to understand and adapt to so many different kinds of thinking and learning styles in the global workforce.”
- Tomorrow’s internal audit leaders will be those professionals who flex their management styles to a diverse set of audiences to encourage these audiences to make the changes they need to make for the good of the business.

# Seven Gears of an Effective Internal Auditor

## 7. Continuous Learning

- When recruiting some Organizations seeks internal auditors who refuse to accept a “surface explanation,” she notes.
- Current recruiters are looking for intensely curious internal audit talent.
- This passion for discovery and education should sustain throughout one’s career. The need for this “continuous learning gene” makes perfect sense given the accelerating pace of business change.
- Internal auditors must constantly refine and update their business knowledge.
- This is accomplished through a combination of formal training and development programs, certifications, rotational assignments, stretch projects, self-guided learning, and voracious reading.

# Seven Gears of an Effective Internal Auditor

- “There is so much you need to learn simply from a business standpoint, never mind from a technical standpoint, and never mind from a leadership or interpersonal standpoint,” he continues.
- “The internal audit leaders of the future will be sponges for knowledge – people who are willing to supplement the training they receive from their organizations by investing some of their own Shiling in training.
- As internal auditors it is our duty to convince people that they must become lifelong learners.”

# Final Thoughts: How to Hone Non-Technical Attributes

- If one has to succeed as an effective internal auditor in the future, he needs to be agile, flexible, resilient, empathetic and diverse learners.
- “An internal audit department must possess a combination of broad and deep capabilities.”
- These capabilities will always include technical skills; and, given the pace of technological and business change, it is safe to note the need for internal auditors to update existing technical skills and acquire new technical skills also will remain constant.



# Final Thoughts: How to Hone Non-Technical Attributes

- The executives who preside over leading internal audit functions understand the difference between table-stakes skills and attributes that truly differentiate their staffs. These internal audit functions strive to attract and develop the non-technical attributes described in this paper in numerous ways, including:
  - 1. The establishment of a compelling internal audit “brand” that attracts top talent;
  - 2. Rigorous selection processes that identify a candidate’s propensity to develop these
    - valuable attributes;
  - 3. Training programs that target the skills within these attribute areas;
  - 4. Innovative development activities;
  - 5. Performance review programs that reward proficiency in specific non-technical attributes.

# Summary



- To become effective internal auditor, one should understand the attributes and skills that leading internal audit functions value and then seek out assignments, projects and development opportunities (both formal and informal as well as inside the company and on their own time) that enable them to cultivate these qualities.
- Internal auditors should apply as much effort and precision to the acquisition and development of non-technical attributes that they currently apply to the enhancement of their traditional internal auditing expertise.



# CONCLUSION



***I WISH TO END BY SUBMITTING THAT:-***

***THE PANACEA TO BEING EFFECTIVE INTERNAL AUDITOR NOT ONLY LIES IN OUR TECHNICAL SKILLS, BUT ALSO OUR NON-TECHNICAL SKILLS. THIS MUST NOT ONLY BE CULTIVATED BUT SUSTAINED THROUGH CONTINUOUS PROFESSIONAL DEVELOPMENT AND PARTICIPATION AT NETWORKING FORAS SUCH AS THIS.***