

2018 IIA INDONESIA NATIONAL CONFERENCE

Nurturing Agile Internal Auditors in Disruptive Times

Internal Auditors: The Imperative to Be Trusted Advisors

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The Institute of Internal Auditors*

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Internal Auditors:

The Imperative to Be Trusted Advisors

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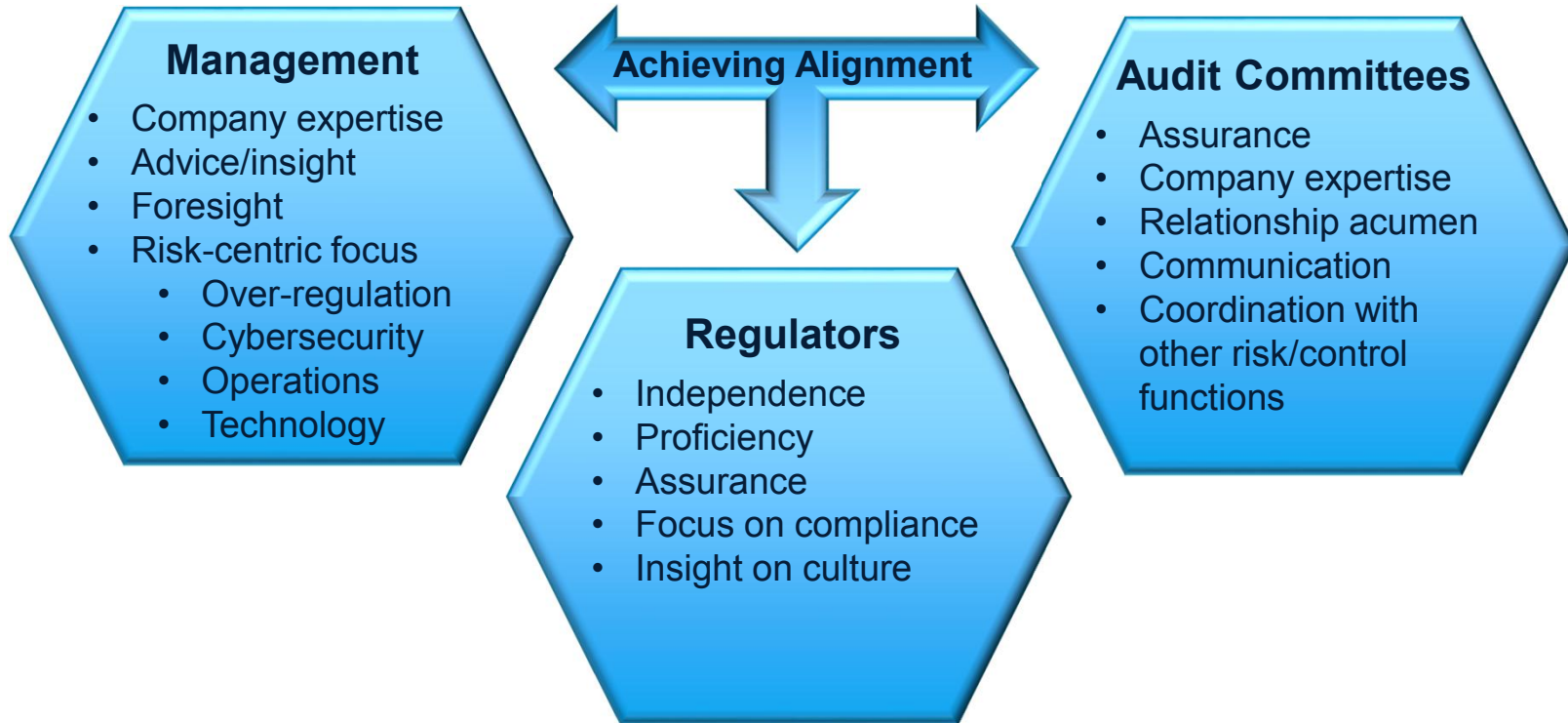


Agenda

- Heightened expectations in 2018
- Internal auditors as “Trusted Advisors”
- Attributes of outstanding internal auditors
 - Personal
 - Relational
 - Professional
- The internal audit leader of tomorrow



Internal Audit Stakeholders Expect More in 2018



To Meet Expectations:



We must:

- Identify our gaps
- Deploy effective strategies for success
- Be relevant, timely, and risk-centric
- **Be trusted!**

Being a Trusted Advisor

An Imperative for Every Internal Auditor





Trusted Advisors

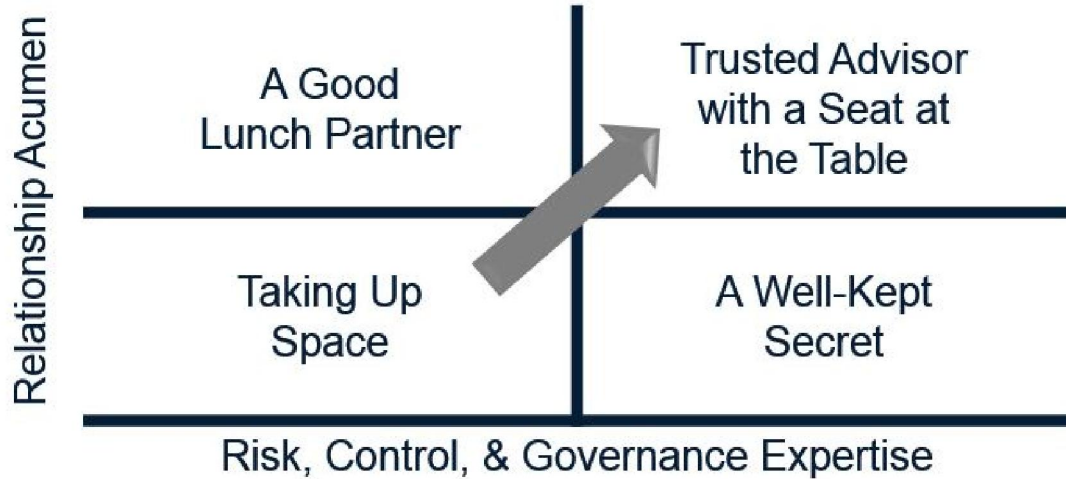
- Internal auditors as “Trusted Advisors”
- The essence of trust
- Attributes of outstanding internal auditors
 - Personal
 - Relational
 - Professional
- Cultivating Trusted Advisors

The Essence of Trust

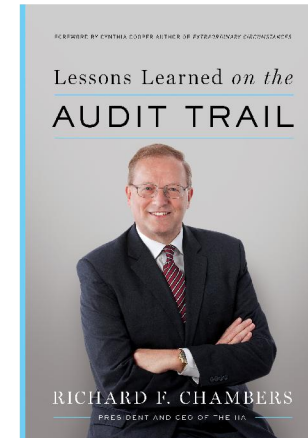


- Trust must work both ways
- We must be **reliable, truthful, able,** and **strong**
- The best share attributes that win and sustain trust
- The very best are trusted, whether providing advice or assurance

Attributes of the Trusted Advisor: Evolution of the Model

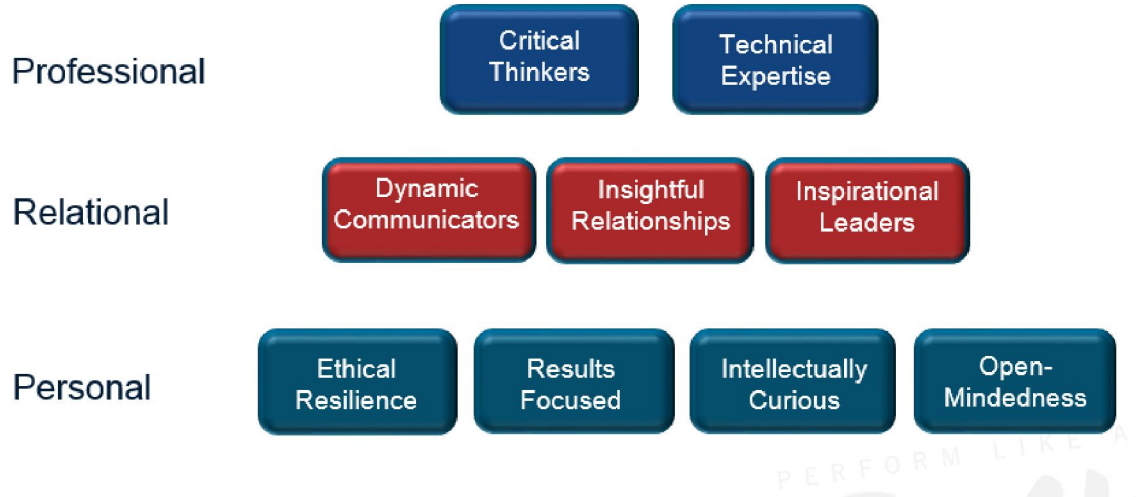


2014



Source: *Lessons Learned on the Audit Trail*

Attributes of the Trusted Advisor: Evolution of the Model



2018

TRUSTED ADVISORS

KEY ATTRIBUTES OF OUTSTANDING
INTERNAL AUDITORS



Source: *Trusted Advisors – Key Attributes of Outstanding Internal Auditors*

Personal Attributes



Ethical Resilience



- Ethical commitment among top 3 attributes
- Ethical behaviors
 - Integrity
 - Courage
 - Accountability
 - Trustworthiness
- Willingness to “throw the flag”
- Shatterproof house
- Pressure to change audit findings

Results Focused



- 88 percent rated this attribute as critical
- Obsess over:
 - What happens after the audit?
 - Was there an impact?
 - Was there productive/beneficial change?
 - Did I drive improvement?
- Master foundational sub-traits
 - Work ethic
 - Productivity
 - Timeliness
 - Determination

Intellectually Curious



- It's not enough to know what happened
- Obsess over why – the root cause!
- Follow the risks
- A dose of healthy skepticism
- Leverage intuition
- CQ (Curiosity Quotient) = “hungry mind”

Open-Mindedness

Hindsight

Insight

Foresight



Open-mindedness

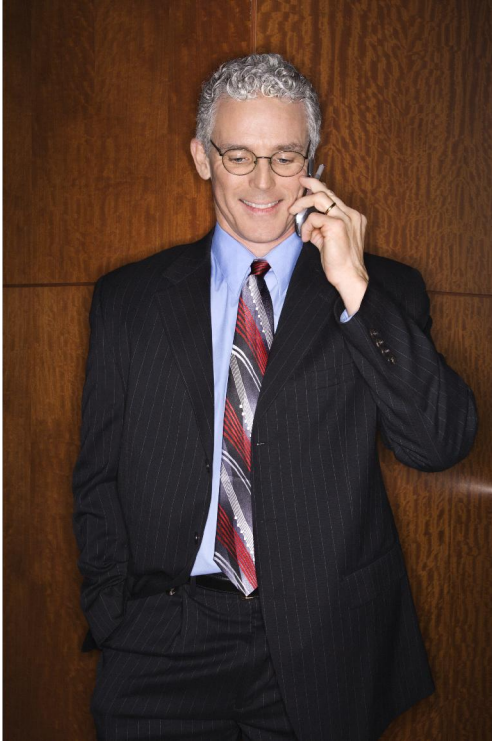


- Credibility comes from open-mindedness, flexibility, and reasonableness
- Habits that will impede trust:
 - Don't dwell on the past
 - Don't shrink from getting to the bottom of issues
 - Don't take a myopic view on recommendations
 - Don't forget to get input from those you are auditing
 - Don't view the world in black and white
- A hiatus can foster an open mind

Relational Attributes



Dynamic Communicators



- 95% rate communication skills as essential
- 45% say more training is needed
- “Soft side” vs. “technical side” is most critical
- 5 words or phrases to avoid
 - “Failed”
 - “Inadequate”
 - “Ineffective”
 - “We found”
 - “It appears”
- Right tone is essential
- “We agree with the recommendations, but not the findings”

Insightful Relationships



- Sustained trust is rooted in relationships
- Not a popularity contest
- Relationship-building starts within internal audit
- Relationship acumen is critical
 - Positive intent
 - Diplomacy
 - Prescience
- Rotational assignments yield strong relationships

Inspirational Leaders



- Inspirational leaders:
 - Articulate a motivational vision
 - Think in ways that inspire others
- Converting thoughts to actions:
 - Share the experience/let others lead
 - Coach others to greatness
 - Build teams/promote teamwork
 - Employ purposeful emotion
 - Address challenges
 - Earn and extend trust
- Sports coaches can be great leaders

Professional Attributes



Critical Thinkers



- Use “reasoning and logic, not emotion, to evaluate information and consider alternatives.”
- Interconnected with critical thinking
- Make sense of information generated by curiosity
- Being skeptical is integral to critical thinking
 - Healthy
 - Credible
- Obstacles to critical thinking: bias, speed, ambivalence

Technical Expertise



- Becoming a Renaissance auditor
- “Knowing your beans”
- 3 keys:
 - Know your business
 - Know your industry
 - Know technology
- You are never too important to learn

Cultivating Trusted Advisors



Cultivating Trusted Advisors



- Outstanding Internal Audit departments:
 - Foster a culture of trust
 - Recruit, reward, and retain Trusted Advisors
 - Are valued for the role they play in the enterprise

Cultivating Trusted Advisors



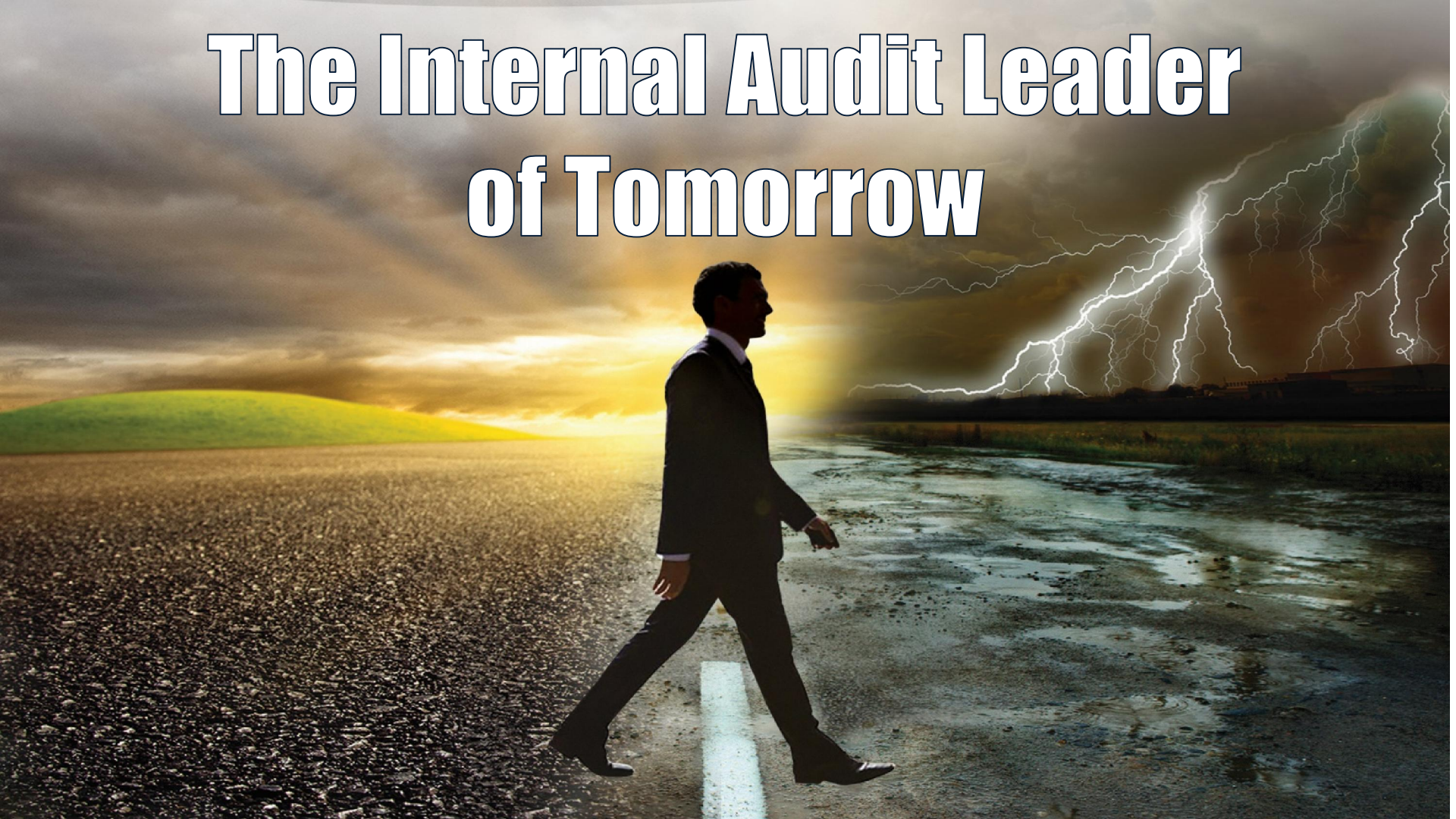
- Trusted advisors are not born – they are nurtured:
 - Training
 - Communications
 - Intellectual curiosity
 - Critical thinking
 - Leadership
 - Industry risks
 - Technology
 - Coaching
 - Mentoring

Remaining the Stakeholders' Confidant

- Internal audit must evolve, or it will perish
- Today's heroes can become tomorrow's has-beens
- The future is awe-inspiring
- Trusted advisors must continually challenge and reinvent themselves



The Internal Audit Leader of Tomorrow



The Internal Audit Leader of Tomorrow



- **Genetically risk-centric – *Leading at the Speed of Risk!***
 - Risk-aware
 - Risk-intuitive
 - Embrace opportunities to enhance value
 - Risk-courageous
- **Tech savvy and tech fearless**
 - Understand innately how technology can impact and change organizations and still have the courage to embrace and adapt to technological change
- **Incessantly curious and professionally skeptical**
 - More than just a trait of the best, it will be table stakes to get into the game
 - Tomorrow's internal audit leaders will need to walk a fine line when it comes to skepticism
- **Ethically far-sighted**
 - Understand how technology and other factors that change our world impact and influence ethics within the organization

The Internal Audit Leader of Tomorrow



- **Intellectually honest**
 - Speak truth to power
 - True leaders will not give in to pressures to compromise intellectual honesty for expediency
- **Not your grandfather's CPA**
 - Accounting/finance remains the most recruited academic degree
 - In the future, internal auditors will increasingly come from nontraditional backgrounds, such as engineering and chemistry, as demand for specialized skills grows in parallel to changing demands on the profession
- **Cosmopolitan**
 - The market is increasingly global – companies operate seamlessly around the world
 - Internal auditors of the future will have to be cosmopolitan: familiar with and at ease in many different countries and cultures

TRUSTED ADVISORS

KEY ATTRIBUTES OF OUTSTANDING
INTERNAL AUDITORS



Thank You!

The Institute of Internal Auditors

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