Stakeholder Management & Soft-Skills (ACM & Statutory Auditor)

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WIRC of ICAI
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Stakeholders, expectation, form of communication
Get closer than ever to your customers. So close that you tell them what they need well before they realize it themselves.

- Steve Jobs, Founder of Apple
### Case study: How Cadbury won the battle of worms

<table>
<thead>
<tr>
<th>Issue</th>
<th>Implication</th>
<th>Measures taken</th>
<th>Result</th>
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</thead>
</table>
| • Sales declined by 30 per cent, at a time when it sees a festive spike of 15 per cent | • Revamped the packaging  
• Roped in Amitabh Bachchan as brand ambassador  
• Upped advertisement spends | • Within six month due to measures taken, recovery began in May 2004 |
Reduction of time-span for executive summary presentation

• Previously – 1 to 2 hours
• Now – less than 1 hour
• Reduction in attention span – earlier it was 45 minutes now maybe like Maggie – 2 minutes / instant
First impression is last impression

• People begin forming an opinion within seconds

• Difficult to reverse first opinion

“You never have a second chance to make a first impression”
Who is the stakeholders of internal audit?

Stakeholders:
- Process Owner
- HOD
- Statutory Auditor
- ACM
- CFO / COO / MD
What is stakeholder’s expectations

- Provide assurance / comment on improvement
- Sector specific acumen
- Proactive
- Root cause & detailed solutions
- Value addition
- Practical advice
- Cost effective solution
Common complaint of client

- Low understanding of business
- Talk only about negative issues
- Recommend more & more controls
- Generalise recommendation
- Think they know everything
- Lack of sense of materiality
- Lack depth
- Know more about problem than solution
- Not modern thinker
- Solutions are impractical
What if expectation is not fulfilled?

- Lose respect
- Rely on external auditor
- Used as window dressers
- Reluctant to pay good fees
- Replace by some other
What they want?

**Process owner**
- Genuine observation
- Process understanding
- Listen their point of view
- Practical suggestion

**HOD / CFO / COO / MD**
- Value addition
- Summarised format
- Overall risk assessment
- Fair presentation
- Root cause analysis
- Categorisation based on risk
- Process owner’s acceptance
- Implementation status

**ACM**
- Summarised format
- To the point
- Overall coverage & risk assessment
- Key issues
- Management comments
- Timeline for implementation

**Statutory Auditor**
- Overall coverage
- Issue which affect true and fair view of the accounts
- Statutory non-compliance
- Assurance which they can rely on
- Comfort which would help them make a proper assessment and save their time
Different form of communication for each stakeholder

Process owner
- Discussion of draft queries during the execution audit
- Draft internal audit report

HOD
- Summarise observations and discussion at exit meeting
- Draft internal audit report along with management reply given at the time of exit meeting
- Discussion of observation and take prima facie reply

CFO / COO / MD / ACM
- Executive summary
- Presentation

Statutory Auditor
- Audit report with annexures providing instances
What is soft-skills?
Soft skill & its attributes

Personal attributes that enable someone to interact effectively and harmoniously with other people.
Technical skills get you what you want however soft-skills take them where you want
The auditor is a change leader: that is a challenging job, because one of the hardest things is for people and organizations to see that they need to change and then do so.
How to use soft-skill for stakeholder management
10% of conflicts is due to difference in opinion and 90% is due to wrong tone of voice

-Nia Mariz
Process owner & HOD – Dispute & how to resolve it

Challenges

Friction
- Delay / not providing of required details
- Not-providing enough time
- Non-acceptability of suggestion

How to resolve

- Interact with entry level staff who handled basic operation to understand process
- Ask open ended question [How instead of Why]
- Listen - Take genuine interest [They will given more than you want]
- Understand practical difficulty [it help to suggest practical suggestion]
- Explain the suggestion helps them [i.e. manual vs. automation]
- Agree to disagree
Soft-skills - it make difference

Auditing with little soft-skills

Focus on checklist
Ask basic questions
Focus on reviewing documents

Client is frustrated
Little cooperation
Client is defensive
Vanilla audit finding

Auditing with soft-skills

Engage in conversation
Prepare for meeting
Ask intelligent questions
Present with enthusiasm
Gain additional insights
Value added audit

Get information easier
Reduce follow-up
How to improve client relation

- Get to know the client
- Show respect
- Ask open-ended questions
- Remain impartial
- Quantify audit finding
- Don’t be alarmist
- Theory vs. practice
- Listen
<table>
<thead>
<tr>
<th>Tips for meeting</th>
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<tr>
<td>Stay objective, independent</td>
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<td>Be firm, do not hide or minimize when something is wrong</td>
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<tr>
<td>Explain that it is about the procedure, not the person</td>
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<tr>
<td>Be professional, do not blame</td>
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<tr>
<td>Adapt to behavior of auditee</td>
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<tr>
<td>Be direct and show empathy</td>
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<tr>
<td>Do not raise your voice, stay calm, especially when something is wrong</td>
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<tr>
<td>Give constructive feedback and positive feedback</td>
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<tr>
<td>Teaching, tell what is missing</td>
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<tr>
<td>Integrate suggestions</td>
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<tr>
<td>Find the right argument to change habits</td>
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<tr>
<td>Focus on solutions, improvements which are possible</td>
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<td>Good eye contact</td>
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Soft-skills required for effective internal audit
Skill sets required for Internal Auditor

Analytical and critical thinking

Data mining and analytics

Business acumen

General IT knowledge

Communication skills
Soft-skills required for effective Internal Auditors

1. Integrity
2. Build relationship
3. Partnering
4. Communication
5. Team work
6. Diverse knowledge
7. Continuous learning

“Soft skills are the new hard skills…”

– Larry Harrington, Chief Audit Executive, Raytheon Company

“Soft skills are the new hard skills…”

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1. Integrity

- Balance
- Trust
- Objectivity
- Confidence

*AS INTERNAL AUDITOR, YOUR JOB SHOULD NOT BE WHAT MANAGEMENT TELLS YOU.*

John Farahi
2. Building relationship

- Deep and healthy
- Cultivating trust
- Objectivity
- Respect

- Reduce resistance
- Increase speed delivery of information
- Increase more understanding
3. Partnering

- Updated
- Proactive risk coverage
- Suggest best practices
- Suggest Changes if required

WIN WIN
4. Communication

Open & Honest

Effective – verbal instead of written

Two way

- Internal audit report - extension of brand
- Tone - inspire trust and credibility
- Demonstrate a service orientation - understanding of impact of suggestion
- Information - visual analytic

“Communication must be HOT. That’s Honest, Open, and Two-way.” - Dan Oswald
5. Teamwork

- Emotional intelligence
- Lead and empathize
  - For better relationship
  - Better result

When ‘i’ is replaced by ‘we’

Even ‘illness’ becomes ‘Wellness’
6. Diversity

- Work in different demographics
- Open minded
- Experience
- Different perspective

DIVERSITY: THE ART OF THINKING INDEPENDENTLY TOGETHER.
7. Continuous learning

"Learning is experience. Everything else is just information." —Albert Einstein

- Naturally inquisitive
- Passion for truly understanding
- Training
- Dynamic
Useful tips for ACM
Preparation for ACM

Executive summary – Brief [high & medium points], clear and to the point

Do rehearsal - to avoid shortage of time and for clarity of thoughts

Ready for anticipated question – Should be well informed about member of ACM

Take clarification on conflicting observation in advance

Keep detail report handy for further details if required

Circulate executive summary in advance – it helps for better preparation for members of ACM
Understand when to

Pull

Push

Fight

Flight
How to develop soft-skills
How to develop soft-skills

- Aim to be understood
- Make eye contact
- Monitor your body language
- Practice speaking
- Practice active listening skills
- Pay attention to the other person's body language
How to articulate what you want to communicate

- Think before you speak
- Handle your emotions while communicating
- Modulate your voice to create impact
- Be an active listener
- Mind your body language
Keep yourself well informed

• Update with industry knowledge
• Changes in relevant laws
• Major changes / new development
• Regularly visit client’s web-site
• Refer update provided to stock exchange
• Set alert in google for relevant news

“THE MORE INFORMED YOU ARE, THE LESS ARROGANT AND AGGRESSIVE YOU ARE.”
— NELSON MANDELA
Be precise

Don’t give Pineapple

AS

Readers’ want only Juice
Benefit of rounded internal auditor

- Greater cooperation
- Open & Honest communication
- Trust & respect of auditee
- Less barrier & restriction
- Audit as value adding
- Build credibility
- Good business sense / involved in strategy
Resources
Resources

• Seven Attributes of Highly Effective Internal Auditors (Chambers & McDonald, 2013)

• https://www.iiia.org.uk/media/1042554/iia-soft-skills-for-internal-audit-101214.pdf
Thank You

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