

TRUSTED ADVISORS

Leveraging Trust to Foster Organizational Success

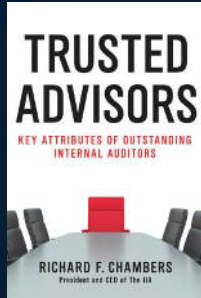
Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA

President and CEO

The Institute of Internal Auditors



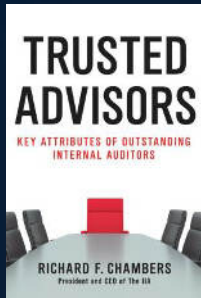
“No one stumbles into greatness. Indeed, part of becoming a trusted advisor is having the right stuff.”



Agenda

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

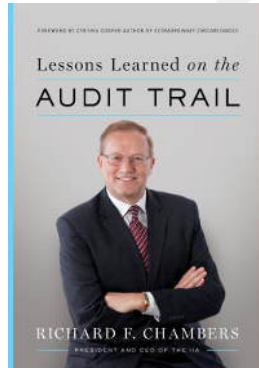
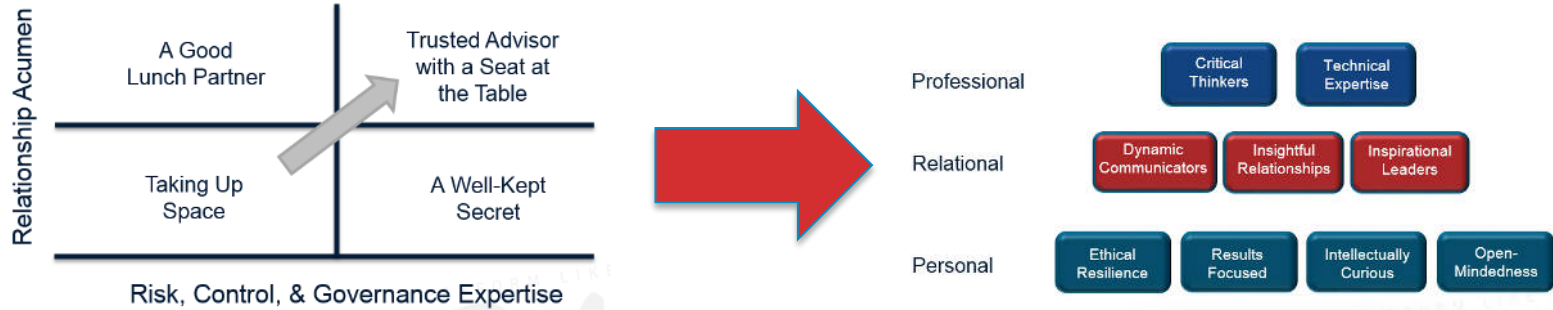
“The word trust is underused by internal auditors. We worry about whether we can trust others, but rarely about whether they should trust us.”



The Essence of Trust

- We often limit our perspective on trust – “we need to trust them”
- Yet, our stakeholders must have a firm belief in the **reliability, truth, ability, and strength** of internal audit
- The very best internal auditors 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



Source: *Lessons Learned on the Audit Trail*

PERSONAL ATTRIBUTES



“Look at Harry Markopolos, who tried to break open the Madoff scandal. He just kept going back to the SEC over and over to make his point. . . . It took a lot of courage. In my view, he’s a hero.”

- Bethmara Kessler
SVP, Integrated Global Services
Campbell Soup Co.

Ethical Resilience

- More than half of respondents identified ethical commitment among top 3 attributes
- Ethical behaviors
 - Integrity
 - Courage
 - Honesty
 - Accountability
 - Trustworthiness
- Willingness to “throw the flag”
- Wired for integrity?
- Shatterproof house
- More than half of internal auditors have been pressured to change audit findings

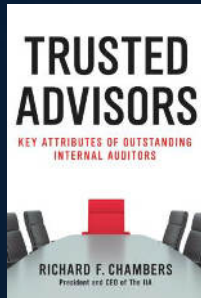
“I see much more often people with all the certifications, all the prestigious degrees, but who just don’t want to do what it takes to succeed in the job.”

- Mark Rosa
VP of Internal Audit
Houghton, Mifflin, Harcourt

Results-focused

- 88 percent of CAEs rated a laser focus on results as critical to success
- Results-focused internal auditors obsess over:
 - What happens after the report is delivered?
 - Did the audit have impact?
 - Did it create productive/beneficial change?
 - Did it drive improvement?
- Mastering foundational sub-traits
 - Work ethic
 - Productivity
 - Timeliness
 - Determination

“One of the CAEs who responded to the AEC survey characterizes the quest to get to the root cause of an issue as ‘provocative inquiry,’ defined as ‘the knack for asking smart and unsettling questions.’ ”



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”

“With the increasing expectations that internal audit must respond to, it is not okay to remain status quo anymore. If you raise the bar one year, you are expected to continue raising it, and the only way to do that is to be creative in how you perform and report on your work.”

- Aileen Madden

Head of Corporate Audit & Advisory
Air Canada

Open-mindedness

Hindsight

Insight

Foresight



Open-mindedness

- Open-mindedness, flexibility, and reasonableness yield credibility
- 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



“Don’t
communicate to
be understood.
Rather,
communicate so
as not to be
misunderstood.”

- Dr. John Lund
Retired professor of communications

Dynamic Communicators

- 95% rate communication skills as essential; 45% say more training is needed – Pulse 2017
- “Soft side” vs. “technical side” of communication is seen as most critical
- 5 words or phrases to avoid
 - “Failed”
 - “Inadequate”
 - “Ineffective”
 - “We found”
 - “It appears”
- Right tone is essential to winning and sustaining trust
- “I agree with the recommendations, but not the findings”

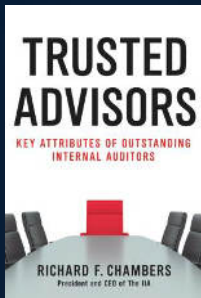
“ . . . Auditors used to be regarded like the police and were generally unwelcome. So, one way to change this paradigm is to be friendly and put ourselves in others’ shoes.”

- Davis Moraes
Head of Internal Audit
lochpe-Maxion S/A Group

Insightful Relationships

- Sustained trust is rooted in relationships
- Not just a popularity contest
- Relationship building starts within the internal audit team
- Relationship acumen is critical to insightful relationships
 - Positive intent
 - Diplomacy
 - Prescience
- As a new internal auditor, rotational assignments yielded strong relationships

Nick Saban “inspires his team to ‘do their job,’ focusing on one play at a time, as the most important area of focus at that moment – not becoming distracted by the score, or what victory will feel like, or what statistics they are racking up.”



Inspirational Leaders

- Inspirational leaders articulate a vision that motivates others to act
- Inspirational leaders 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
 - Lead through culture
 - Face challenges
 - Earn and extend trust
- Bryant, Saban, Lombardi

PROFESSIONAL ATTRIBUTES



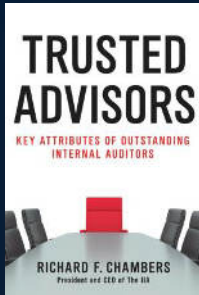
“Critical thinking dramatically increases the value internal audit provides to its stakeholders. Auditors skilled in critical thinking don’t get stuck in blindly following an audit program or checklist . . .”

- Shawn Tebben
VP of Internal Audit
Vail Resorts

Critical Thinkers

- Critical thinking: “using reasoning and logic, not emotion, to evaluate information and consider alternatives.”
- Intellectual curiosity and critical thinking are interconnected
- Critical thinkers take the information generated by their curiosity, and make sense of it
- Being skeptical is integral to critical thinking
 - Healthy
 - Credible
- Obstacles to critical thinking: bias, speed, ambivalence

Business acumen, industry expertise, and technology insight are what “internal auditors must master if they are to become trusted advisors - our profession’s Renaissance people.”



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

Parting Thoughts

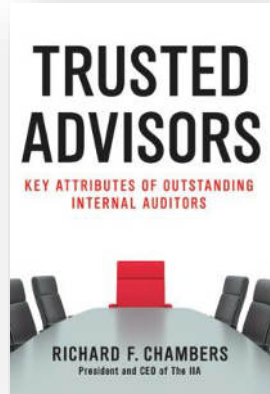


Remaining the Stakeholders' Confidant

- Internal audit must evolve, or it will perish: Today's heroes are tomorrow's has-beens if they rest on their laurels
- The future is awe-inspiring: It offers opportunities and risks for our profession
- Trusted advisors must continually challenge and reinvent themselves to “remain at the table”



Thank You!



The Institute of Internal Auditors

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