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Crafting a Leading Internal Audit Activity

February 2014

Overview

Internal Audit (IA) should be much more than being the organization's watchdog or compliance assessor. When used to its full potential, IA becomes management's strategic advisor by assisting the organization to heighten their controls, to better manage their business risks, to defy the current ("as is") state and to identify possible efficiencies and cost benefits across the enterprise.

We believe that crafting and implementing a leading IA practice will result, among others, in a more confident Board, decrease in independent auditor's fees and enhanced business processes.

Consequently, to create a "world class" IA activity, an organization must find the right "mix" between the *four Ps*: professionals, processes, promotion and professionalism.

Professionals

Do the members of the IA team possess the right experiences, aptitudes and skill sets for tomorrow's challenges? Diverse background is critical, as is the ability to identify a skill set gap through active recruitment, superior trainings and use of appropriate service providers, when necessary. Value-added internal audits command not only quality compliance reviews, but also a solid understanding of the business. Likewise, IA should be encouraged to challenge, question and suggest better ways to improve the overall control environment.

Processes

Simply put: IA must be advocated through formal processes, procedures and protocols that align with the organization's strategic objectives. These items must be part of the organization's DNA, which in turn, will allow IA to fulfill their strategically-focused mandate unflinchingly.

It's more than establishing a risk-based audit plan... It's also establishing a formal performance review and coaching sessions to ensure continuous improvement of IA's services.

Lest we forget IA's information technology supporting tools. These will simplify the complete audit process, from scheduling to staffing to documentation to reporting.

Promotion

Unfortunately, some IA functions suffer from a negative perception due to their given mandate of being the company's watchdog or focusing solely on compliance issues, instead of critical business issues. To be a leading function, IA must expand their capabilities in order to be seen as a strategic advisor / business partner and as a source of positive change. To achieve this objective, IA leaders should question the perception of the department: does the department have a seat at the table as a strategic advisor or necessary evil? What value can IA deliver? Does IA possess a strong, trusted relationship with the C-Suite?

As a strategic business partner, IA will undeniably deliver on its promise of adding value and being the source of positive change.

Professionalism

As the old proverb states: "When the going gets tough, the tough get going". It's important for a leading IA function to remain above the "noise". To remain professional at all times, deliver on its promise (as stated earlier), add value and be seen as a trusted advisor.

IA must focus on critical matters, understand the business and stay-awake issues, while being confident and bold in their approach.

Final Thought

Organizations that allow their IA functions to espouse the above-mentioned characteristics will most certainly obtain the quintessential competitive advantage. It's important to note, however, that transforming the function into a leading activity takes hard work, dedication, patience and a clear understanding of the gaps between the current state and desired state of "world class".

To get this right, an organization must create a self-sustaining cycle where their excellence attracts high-caliber professionals, receives constant support from the C-Suite and a wider collaboration from all business units within the organization.

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