
1 How to Get the Most from This Book

CHAPTER CONTENTS AT A GLANCE

This chapter will

- Discuss the five tiers of competency that effective auditors require
- Explain the value of having habits
- Define three categories of change
- Describe the three behavioral stages of change management
- Explain how to make sustained change happen

The secret to change is to focus all of your energy, not on fighting the old, but on building the new.

Socrates

This book focuses on the behaviors you need to demonstrate and the habitual actions you need to take at each phase in an audit to manage the people relationships as well as the work itself. It contains practical techniques, advice, and tips that you can put to use immediately during an audit. It provides proven methods that will save you time, reduce your stress, and produce reliable, quality results. It will help you make positive changes and adopt productive work habits.

THE BOOK AT A GLANCE

This book is divided into eight chapters. The first five chapters are technical and are listed in the order in which the activities occur during an audit. From a career development perspective, this is not the order in which one would acquire these skills. If one were new to internal audit, one might spend three or four years involved in testing before acquiring sufficient experience to be tasked with planning an audit. Planning requires business acumen and auditor judgment; both are fueled by experience. Since the involvement of supporting staff in the audit typically occurs in the assessment phase discussed in Chapter 3 (especially in mid-sized and large audit departments), staff auditors aspiring to lead audits may want to read Chapter 2 to understand the considerations that affect audit management's planning and scoping decisions.

Chapters 6 through 8 tackle the personal and interpersonal skills needed to be an effective auditor and team member because technical expertise alone is not enough to produce relevant and useful results. In every business, management at all levels—especially at the board and executive ones—are responsible for driving

business performance while managing risk to an acceptable level. Since some business situations are “safer” or less risky than others, management has to determine when it will accept the risk, transfer the responsibility for it (via insurance or agreement with other firms), or manage it by implementing controls. Additionally, even if management wanted to eliminate all risk, it could not for several reasons. First, some risks like interest rate risk, geopolitical risk, and acts of God originate outside the organization and cannot be prevented.

The role of internal audit is to function as the organizational mirror, reflecting back to management the condition and effectiveness of the control activities, monitoring, and policies they have implemented. Consequently, internal auditors need to influence management to take corrective action that will enhance the company’s risk management culture and practices. Effective internal auditors require technical, interpersonal, and change management skills.

To help you be the best auditor you can, this book’s underlying theme is how to create positive interpersonal and organizational change. By managing your behavior and adopting effective and efficient practices at each step in the audit, your efforts will contribute to your organization’s risk management practices.

Read Chapter 1, “How to Get the Most from This Book,” if you want to understand the Five Tier Auditor Competency Model and how to benefit from its use. It also describes your role in personal and organizational change and how you can facilitate change.

Chapter 2, “Techniques for Planning Useful Audits,” will help you develop or refine the approach needed to complete the planning phase, particularly when setting the scope.

Focus on Chapter 3, “Techniques for Detailed Risk and Control Assessment,” if you want to understand rapidly and accurately the nature and vulnerabilities of the process or entity under review. It will describe different approaches you can use to identify the risks in the process or entity under review. It describes the attributes that make up an effective control and suggests questions to ask to determine if a control is well designed.

Chapter 4, “Testing and Sampling Techniques,” provides ideas that will help you develop and conduct effective audit tests and select the right sample size when full population testing is not possible. It also provides guidance for analyzing test results to determine their meaning.

In auditing, it’s not enough to reach the right conclusion; one has to be able to produce useful, relevant written support. Consequently, Chapter 5, “Documentation and Issue Development: The Building Blocks for Effective Audit Reports,” describes tips and techniques that will help you prepare effective, accurate documentation at each step in the audit.

Chapter 6, “Core Competencies You Need as an Auditor,” explains guidelines for developing executive presence and critical thinking abilities. It also includes tips for managing your time and the project.

If you work in a mid-sized or large audit department, Chapter 7, “Techniques for Managing the Audit Team,” explains ways to build and lead an effective team as well as how to contribute as an effective team member.

At some point in your audit career, you will have to tell the managers of the process you are auditing that controls gaps exist and that the inherent risk is not being managed to an acceptable level. Chapter 8, “Techniques for Managing the Constituent Relationship,” describes ways to deliver bad news without creating bad feelings.

OVERVIEW OF THE FIVE TIER AUDIT COMPETENCY MODEL

Unlike other jobs, to be an effective internal auditor you need to be able to tap into and use five distinct competency categories, which are depicted in the Five Tier Audit Competency Model (Figure 1.1). A competency is the ability to do something effectively. It is based on experience and the skills acquired from that experience. For example, the ability to negotiate effective contracts is a competency, as it is the ability to organize and deliver clear and persuasive messages to allocate scarce or fixed resources between at least two parties.



FIGURE 1.1 Five Tier Audit Competency Model.

Competencies are also referred to as skills. When you are able to demonstrate a skill with consistency and mastery—that is, you developed your skill through training and practice to an expert level—you would be described as being proficient.

To be an effective auditor, you will need to develop five tiers of competency. Each tier comprises specific skills and behaviors. To the extent that you perform each of these behaviors effectively and efficiently, you increase the usefulness of your audit results and minimize audit risk, that is, the risk that an audit does not identify an existing weakness and concludes that the controls are operating as intended when they are not. Regardless of the audit's complexity, the key question you need to ask yourself is, am I doing the right thing? Is my approach the right one or is there a more effective or efficient approach that I can use?

TIER 1: AUDIT METHODOLOGY

The first tier of the Five Tier Audit Competency Model, which forms the foundation for the other four, involves the mastery of the skills needed to execute an audit. If you don't have this competency, your career in audit will be very short. Some of the Tier 1 competencies are process analysis, risk identification, analysis and assessment, control identification and evaluation, test design and performance, and issue development. This tier encompasses the ability to demonstrate knowledge about sound auditing principles and professional skepticism.

TIER 2: DOCUMENTING AUDIT RESULTS AT EACH STEP IN THE METHODOLOGY

The model's second tier focuses on the documentation of the results of your thinking at each stage in an audit. The audience for each of these documents is not the same, and this difference in audience informational needs drives differences in writing styles. Following are some examples of the different types of informational needs your writing needs to address during an audit:

- Developing planning memos that describe the audit's scope, objectives, and resource requirements and include the rationale for these decisions
- Documenting the risk events and their consequences
- Documenting controls in narratives so that the effectiveness of the control design can be determined
- Describing test steps and the results of conducting them
- Compiling the report—the tangible product created at the end of a review or audit—that is read by an executive audience

Tier 2 competencies include the ability to

- Recognize and follow writing formats and styles at different points in the audit
- Write grammatically correct sentences that are grouped in paragraphs
- Satisfy the informational needs of a broad array of readers

- Produce stand-alone documentation that enables someone else to reperform the work and reach the conclusion you did

It is possible to possess the competencies in Tier 1; that is, an auditor may be able to think clearly and accurately when applying auditing principles and methodology but may not be able to document these ideas comprehensively and in a manner that would enable another auditor (or individual) to reperform the work, that is, demonstrate Tier 2 competency. Conversely, it is possible to possess strong writing skills yet lack the ability to apply auditing principles and methodology; that is, the documentation is organized and grammatically correct but omits critical or pertinent information or records the wrong results and conclusions.

TIER 3: PROJECT MANAGEMENT

The model's third tier relates to project management competencies. Project management is more than a skill. It is a profession that has its own designation from the Project Management Institute, Inc.: the Project Manager Professional (PMP)[®]. These are people who manage projects for a living—and these projects have nothing to do with internal audit. Tier 3 encompasses the skills associated with project planning, scheduling, time management, contingency planning, and estimating time and human capital resources.

Everyone assigned to the audit needs to be able to demonstrate project management competency—not just the project leader and audit managers. Staff auditors need to be able to estimate time requirements and manage their time to deliver useful results on schedule. Everyone needs to communicate accurate and comprehensive status reports.

TIER 4: MANAGING AUDIT TEAM MEMBERS

This includes the ability to

- Develop work assignments that optimize the talent of the audit team
- Delegate assignments to others
- Deliver useful and timely performance feedback and coaching
- Transform the auditors assigned to the review from a collection of professionals into a functioning team
- Develop the team members' competencies

TIER 5: MANAGING CONSTITUENT RELATIONS

The fifth and final tier focuses on the competencies associated with constituent relationship management. The scope of the competencies associated with this tier includes

- Acquiring technical and industry knowledge
- Demonstrating business acumen

- Dealing with critical conversations
- Delivering bad news without engendering bad feelings
- Communicating useful status information
- Negotiating useful corrective action plans

Given the array of competencies required to complete useful and value-added audits, you need to make sure that you are using repeatable and sound mental models and engaging in productive habits. The graphic at the beginning of each chapter will tell you in which tier of audit competency the content falls. This will allow you to focus on techniques and strategies targeted to a specific set of competencies. In my experience, auditors who master all or most of these competencies are more effective, become “go-to” people, and enjoy their jobs more.

SOME DEFINITIONS BEFORE WE START

Change: The act or process of becoming different. Change implies any variation whatever that affects something either essentially or superficially.

Change agent: A catalyst; someone who facilitates the change process. Generally, the change agent remains unaffected by the change; that is, he or she is an objective party that focuses on helping others adapt to achieve the desired outcome.

Future shock syndrome: This syndrome, identified by Alvin Toffler in his 1970 book *Future Shock*, occurs when the rate of change exceeds an individual’s ability to assimilate it. This syndrome is characterized by immobilization; that is, individuals react as though they were deer caught at night in a car’s headlight glare.

Managed change: A structured approach to the introduction and implementation of change, including ways in which internal or external experts and resources help organizations cope with resistance and other difficulties inherent to making change a reality.

Transformation: A major change in form, nature, or function.

CHANGE MANAGEMENT

HOW TO EFFECT PERSONAL CHANGE

Think about possible changes you could make that would position you to achieve your goal. What behaviors should you start to demonstrate on a regular basis? What habits should you adopt that will make your goal a reality? Record on the performance planning worksheet that will appear at the end of each chapter the one or two techniques that you want to start practicing on a regular basis.

Then, consider the current hindrances to your goal achievement. These are the current habits that you need to stop and replace with more productive actions because it is so difficult to simply go “cold turkey” to eliminate unwanted behaviors. If you don’t believe me, talk to reformed smokers and others who have made a sustained and positive change in their lives. It’s easier to substitute a behavior than to stop doing something cold turkey.

Once you've identified the behaviors that you want to continue, start, or stop and replace, prioritize them. If you want sustained results, you can only work on one or two changes in behavior at a time. Consequently, you need to focus on identifying the behavioral change that will generate the most leveraged result. What change will give you the biggest impact for your effort? Which change, once it has become part of your daily habits, will enable you to achieve your goal?

Then implement the new behavior, practicing it every day—even several times a day—until you own it. Now initially, you may forget to practice the new behavior. In essence, you may “fall off the wagon.” That's to be expected when implementing anything new. When this happens, just get right back to practicing the new behavior as if the oversight never occurred.

THE VALUE OF FOCUSING ON BEHAVIOR

The emphasis on behaviors and habits is not an accident; it's quite deliberate. This behavioral focus is the essence of my work as an organizational development specialist. I help people create and sustain positive change in their work lives. This change may be precipitated by mergers, layoffs, acquisitions, new technology or systems, and other events that are outside the individual's direct control.

When most people meet me, they want to understand what I and my team do for a living. “Just what does organizational development mean?” they ask. It's an understandable question. The field of organizational development came into existence in the mid-1950s as a blend of sociology, psychology, and motivational theory applied to individuals in organizational settings.

As organizational development specialists, my team and I work with managers to define what good performance looks like; that is, what are the observable, measurable attributes that are present when work performance is effective and people are meeting their goals? We then study the actions of the good performers and we consider their backgrounds, education, and training. We also study the behavior of the poor performers or underperformers to understand and identify their actions. Essentially, we're looking for observable, measurable behavioral patterns. We then analyze these patterns and deconstruct them into their component parts and competencies so we can use this information to define what “good” looks like for a particular organization or situation. Then we use this information to develop recruitment strategies so that our clients can hire more good performers. We document the approaches that the good performers use to help our clients define sound, consistent, repeatable workflows and processes. We also develop training programs to teach others the skills, approaches, competencies, and habitual behaviors that they need to produce effective and consistent results.

Since this approach can sound esoteric, let me give you an example. One of our clients, a global finance department, wanted to build its bench strength and develop a succession plan. Management wanted to identify the attributes of high-potential people so they could identify those individuals who were already on the payroll, develop them in a concerted manner, and make them part of the organization's global succession plan.

At the start of this project, we met with the leaders of this department and asked them to define the characteristics of people who had successful careers within the organization. We organized their answers into four categories:

- Technical knowledge (which included things like experience in applying General Accepted Accounting Principles (GAAP) principles, experience in applying internal controls, merger and acquisition experience, international accounting experience)
- Business acumen, knowledge, and management (which included things like financial correlation skills, root-cause analysis ability, project management skills)
- Leadership and people management (which included things like experience in managing clerical staff and professionals, experience in leading major cross functional projects, the ability to garner support for new ideas, the ability to initiate and facilitate change)
- Other factors (which included things like being multilingual and an ability to relocate)

Each of these factors was analyzed to determine the underlying behavior or competency that acted as a success factor. For example, planning and organizational competency was a success factor for strategic planning and profit planning. The success characteristics and factors were recorded on a form that was used to rate each member of the global finance team. The managers used these results to craft career development plans for each finance team member. By keeping the focus on observable behaviors, the rating process was consistent across locations and was relatively easy to accomplish.

While the rating process to identify team members with high potential may be relatively easy to accomplish, getting the team members to change their behaviors is not ... unless the team member wants to change.

As auditors, we need to be able to promote change in our own lives so we can continue to grow and contribute to our organizations in a meaningful way. We also need to promote change within our constituents'* organizations to enable them to improve their risk management culture and practices.

THREE CATEGORIES OF CHANGE

Now that we have the terms defined, let's consider the types of change we encounter. Basically, there are three categories:

* Throughout this book, the term *constituents* is used to describe the people who are responsible for the audited area. According to Merriam-Webster, a "constituent" is "a member of a constituency or one of the parts that form something." In practice, internal auditors need to meet the needs of several constituents: the board of directors, executive management, and operating management. I considered using the traditional term, *constituent*, but rejected it because in English, the ending "ee" is typically the recipient of an action, that is, something is done to them. Since the internal audit process involves open communication between the auditor and business management, this term didn't seem appropriate. I considered using the term *business partner*, *client*, or *customer*, but rejected all of them because they were inaccurate. Internal auditors are not in a business partnership; that is, they don't share the profits or losses directly as partners would. The people who are audited are not customers or clients because they do not directly pay for internal audit's services and they cannot terminate the internal auditors' services.

Micro Change

This change affects us directly as individuals and includes changes that affect our family and friends. Examples of this type of change include

- You are getting married.
- You are expecting a child.
- You or someone in your family loses a job.
- Someone in your family dies.
- You buy a new home.
- Your child's local daycare center closes or your child's local daycare service provider can no longer work with you.
- Your gym closes.

Often our coworkers and boss may not know that any of these changes are happening unless we want or need them to have this knowledge.

Organizational Change

This type of change directly affects our work life, career, and employer.

Examples of this type of change are

- You get a new boss.
- Your department and function have been reorganized.
- Your company has been acquired.
- Your industry—for example, print media—is experiencing volatility.

Macro Change

This change directly affects large constituencies such as entire sectors or industries outside an individual's immediate world.

Examples of this type of change are

- The USSR ceased to exist.
- An election has occurred and a new political party is in power—unless you work for the government, in which case this type of change would be categorized as organizational.

These definitions describe three categories of change. Regardless of the category, we as individuals respond to change in predictable ways.

HOW INDIVIDUALS REACT TO CHANGE

The typical reaction to change can be divided into three phases:

Phase 1: Relinquishing the Old Reality

For some, this phase is characterized by initial anticipation concerning the expected outcome of the change and possible unfounded optimism; that is, the change outcome will be so wonderful that it will solve all of our problems, including acne,

famine, and floods. Individuals with this type of outlook look forward to the change and view it positively—at least at first—without any rational basis for doing so.

As an example, imagine that your audit department recently adopted or changed its audit software. When this project was originally announced, anyone who was elated to hear the news and anticipated a streamlined, problem-free audit methodology would be characterized as displaying unfounded optimism. These folks envisioned a blissful world in which all work papers and documentation would be in one place. They viewed the new software as the panacea that would correct all the flaws in the current methodology and make sharing information and progress tracking easier. Reality sets in when these same folks discover during the training period that the fields are difficult to fill in, audit activities are out of the accustomed order, and they must learn new codes. In the later stages of the software implementation, they might experience feelings of denial, blame, and anger at the prospect of letting go of their existing reality.

Phase 2: Entering the Transition Zone

This phase is defined as the interim period between what is gone and what is not yet in existence. A person can remain in the transition zone for an indefinite amount of time. Some people never come out.

Initially, people experience disorientation: “Everything has fallen apart”; “I knew what I was, but I don’t know what I’ll be.” In later stages, particularly if a person is to move out of the transition zone, he or she becomes receptive to the opportunity to create new beginnings.

Have you ever seen the 1999 movie *Office Space*? If you haven’t seen it, watch it while thinking about how people accept and effect change. Specifically, pay attention to the character Milton the Stapler Guy. Initech, his employer, was in the process of reorganizing—everything. This company even switched stapler brands, something Milton couldn’t and didn’t accept. Initech had fired Milton five years earlier, but he was so immaterial to them that they didn’t notice he never left and kept paying him. His boss moved his desk to increasingly worse areas, ultimately relegating him to the rat-infested basement. The boss even confiscated his red Swingline stapler, Milton’s only ray of sunshine. (Who doesn’t appreciate a functioning stapler?) Surely, most of us would have left at the first instance of disrespect, or we would at least acknowledge that our manager’s treatment was grossly inappropriate. Milton was unable to get past the initial disorientation stage of Phase 2. He was bewildered by his treatment but could not and did not accept that he was no longer employed. Eventually his simmering rage boiled over and he burned down the office.

How could Milton have changed his situation? He could have acquired a new skill to make himself valuable to the company again, or he could simply have accepted his termination and looked into becoming a Swingline salesman.

Phase 3: Accepting the New Reality

The behaviors that characterize this stage include the individual’s testing and receptivity to new ideas. During this phase, the person begins to identify with the new vision and identifies the tools, knowledge, and skills required to perform in the new

reality. Once initial skills, tools, and knowledge are identified, the individual begins to build the needed competencies to function and succeed in the new reality.

SPECIFIC WAYS TO INCREASE ACCEPTANCE OF CHANGE

There are several things that you can do to make it easier for you to accept and adapt to changes in your work, organization, and life. You can also adapt these approaches to make it easier for others to deal with and accept change.

Let's focus first on the things you can do during Phase 1: Relinquishing the old reality. While it is tempting to ignore the need to change, this will only prolong the process and put you at risk of missing opportunities. You should concentrate on articulating the new vision as clearly as possible to make sure that you understand the nature of the changes that will occur. There's one way to demonstrate that you understand something: if you can explain something to someone else and they understand what you have said.

Once you understand the nature of the planned changes, make sure that you clearly understand the ramifications of the change you face. What will you need to do differently as a result of this change? To help you do this, consider and identify (preferably in writing—because writing will clarify your thoughts) as specifically as possible the future impact of this new vision on you and your job position as well as your concerns, fears, and questions.

Articulate your concerns and fears to your manager, asking for feedback that addresses these as completely as possible—but understand that your manager will probably not have all the answers at this point in the change process.

Consider your manager's responses as they address or ameliorate your concerns. Once you acknowledge that the impending change is real, you can take the following actions to make it easier to get through Phase 2: Entering the Transition Zone.

Target the areas where your feelings of greatest loss exist. Address these feelings of loss and assist the acceptance of change by creating possible new beginnings. Perhaps some of your work friends left—make plans to stay in touch, and make an effort to get to know new colleagues. They are experiencing change too, albeit from a different perspective. Pinpoint the benefits of a new team and engage in new team-building activities.

New colleagues can cause perceived or real loss of turf. Avoid becoming territorial—focus on the results the shift of responsibilities will bring. Is it possible you were taking on too much before and now there is less on your plate? Or is management playing to your strengths in giving you new or focused responsibilities? What are some ways you can transition your existing skill proficiency?

Generate ideas concerning how your new role relates to the new organizational goal or vision.

Schedule another discussion with your manager to learn how you will or can fit in to the new vision. Ask how you can leverage the planned changes into new career opportunities to explore.

During this phase, you need to keep an open mind, consider the competencies you enjoy using and the ones you'd like to acquire. Then, brainstorm the various ways you can put your existing (and future) skills to use to contribute to the new reality.

Once you accept the change, you still need to demonstrate that you accept the new reality. During Phase 3, you need to exhibit consistency and reliability in your performance so that the other members of your team and in your organization have confidence in you.

WHY CHANGE IS NEVER EASY

Although Darwin's theory of evolution, loosely paraphrased as "adapt or die," has been discussed for years, the fact is that change is almost antithetical to ordinary human behavior. People change only when the benefit derived from the change exceeds the benefit derived from the status quo. Once a chaotic or problematic condition is resolved, the human tendency is to create order and then rest, having regained a sense of equilibrium. Consequently, it is a rare individual that seeks unending development characterized by ceaseless change. Most people opt instead for the comfort and predictability of "tried and true" routines.

Inherently, change involves risk. It is a deliberate migration away from the comfort of known routines and approaches without the certitude that the effects of change will occur as desired. On an individual level, change requires the creation and adoption of new and unfamiliar behaviors. One has to consciously accept that change is necessary and can result in a condition that is better than the current one.

Making change happen means putting an end to habits and routines. A habit, by definition, is a behavioral pattern that is performed automatically when triggered by a cue. Habits are time-saving routines that enable us to make decisions effortlessly. For example, most people have a "morning routine" that gets them awakened from their sleep, cleaned up, and on their way to work. Once at work, most people have another morning routine, which enables them to organize their time. Habits prevent people from having to make countless, time-consuming decisions like

- Should I wake up on the right or the left side of the bed this morning?
- Should I have coffee or tea as my morning breakfast beverage?
- Should I put my shirt or pants on first?
- Should I put on my right or left shoe first?

I could go on, but I think you get the idea. Habits have their value. Some habits are very productive; usually these are the ones that contribute or have contributed to successful outcomes. But, like anything that's overused, habits can be problematic. When you want to create a change, like getting to work earlier, exercising more, or being more organized at work, you need to create new behavioral patterns to replace the ones that you want to change. Now, you might be thinking, "I don't have any behavioral patterns like the ones you've described. I'm a 'free spirit', open to whatever happens each day. I let the day's events drive what I do." Then, I would say, being that free spirit waiting to react to a situation IS your behavioral pattern.

Sometimes change is foisted on you and it's not something that you want to happen. I am alluding to changes triggered by external events like mergers, acquisitions, bankruptcies, natural disasters, and economic disasters. In these situations, we are not the willing. In fact, our reaction to this type of change parallels the human

reaction to death and dying characterized by Elizabeth Kübler-Moss in her 1969 book *On Death and Dying*: denial and isolation, anger, bargaining, depression, and acceptance.

For sustained behavioral change to occur, two things need to happen. First, you need to become aware that change is needed, that is, that your current style or actions are either unproductive or counterproductive to your goal achievement. Secondly, once you are aware of the need for change (and some people never gain this awareness), you need to decide on the nature of the change that needs to occur. While deciding on the change, you may have to experiment with a few different behaviors until the desired results are achieved. This can take months and requires a great deal of perseverance and personal discipline.

So, if you want to make a positive change, focus on the result you want to achieve and determine the behavioral change you need to make to reach this goal. Essentially, work backwards from your desired end state to develop your own action plans for change. Then, focus on implementing the behavioral change for the next 30 days, after which time the new behavior will have become a habit or routine.

Think carefully about the behavioral change that you need to make. By targeting the right behaviors—the ones that are integral to your performance—you may only need to focus on one or two key changes. Let me give you an example.

WHY TARGETING THE RIGHT BEHAVIORAL CHANGE IS SO IMPORTANT

Muffy was chronically late to work. Sometimes, she was 5 minutes late; on other days she could be 30 minutes late. She always had a reason for her tardiness; there was an accident or too much traffic, or a power outage had caused her alarm to malfunction. These things happen; they just happened to Muffy more frequently than to her team members. From Muffy's perspective, her lateness was inconsequential and certainly not a performance issue. She produced good work, completed her assignments by their due date, and stayed late when necessary to accomplish her projects. However, Muffy realized that her lateness was not unnoticed by her boss, who was a time-management fanatic. Muffy sensed that if she didn't proactively address this situation with her boss, she would have a performance problem. So, Muffy scheduled a one-on-one meeting, during which she acknowledged that she had difficulty getting to work by 9:00 am because of other responsibilities. She asked her boss whether she could change her work schedule and start at 9:30 am instead of 9:00 am and stay 30 minutes later at the end of each day. Her boss agreed, and the schedule change went into effect the very next day. But, instead of arriving to work at 9:30 am, Muffy showed up at 9:45 am!

Why didn't the schedule change work for Muffy? She requested it; it wasn't imposed by her boss. The schedule change didn't work because it was not the root cause of Muffy's tardiness.

Muffy didn't target the right behavior. She mistakenly thought that by changing her start time, she would be able to arrive on time to work. However, the root cause of the problem wasn't her work schedule; it stemmed from work-life balance issues—and her life was out of balance. Consequently, family obligations kept her up until the early morning hours, leaving her sleep deprived and incapable of waking up

on time to make it to work. Once she set boundaries between her work and personal lives and learned to say no at the right times, her life regained equilibrium. Making this change wasn't easy for Muffy. It took time and concerted effort.

I wanted to make a behavioral change when I first started my practice in the early 1980s. I spent a lot of time on the phone speaking to people in various parts of the world. If the person I was trying to reach was not in, I would leave a message. In that message, I key-spelled my name and left my phone number to make it easier for them to call me back. I would spell my name: B for boy, U for umbrella, T for Thomas, ERA. Now, as a lifelong resident of New York, I have a distinctive regional accent. I realized that my accent affected the way I pronounce certain words—like the word “for” as an example. When I say it, it sounds like “fur.” So, what my listeners heard me say was: B-fur-boy, U-fur-umbrella, T-fur-Thomas, ERA. And of course, if I was in a hurry when I left the message, I spoke faster and the mispronunciation was more obvious.

I decided to replace “for” with “as in” because I knew that this would be easier for me to pronounce without an accent. Whenever I would leave a message, I would say B as in boy, U as in umbrella, T as in Thomas, ERA. Initially, it was tough to make this change. I kept reverting to my old ways. But I was determined, and eventually the change occurred. More importantly, the change has lasted. I replaced an old behavior with one that I still use today. Essentially, that's what this book is about: replacing unproductive behaviors or habits with productive ones.

While change is never easy, it is significantly easier if you are the one that has initiated the change instead of the one expected to make the changes. For example, if you are the one with the vision of how the risk-based audit methodology should work, you promote the approach staunchly. In fact, you may have trouble understanding how anyone could be opposed to the approach. To you, this methodology's benefits are self-evident and no explanation is really necessary. Conversely, if you are the one expected to use the new risk-based tools, software, and reporting formats, you might not even appreciate why the change is needed, let alone yearn to master the new method, techniques, software, and documentation requirements.

WHY CHANGE IS EVEN MORE DIFFICULT IN AUDIT DEPARTMENTS

Audit departments face unique challenges because they attract individuals with particular behavioral preferences. These predilections are directly observable behavioral styles, for example, patterns of speech, action, and interaction. Thankfully, unlike genetic immutable conditions, individuals can change their behavioral styles—once they realize how their propensities are hurting them.

During the past 20 years, I have assessed and profiled thousands of auditors ranging from staff auditors to chief audit executives. This assessment enables individuals to categorize their own behavioral preferences. The behavioral styles are summarized in Figure 1.2. As you review this information, keep in mind that these are typologies and that the percentages reflect data collected from audit departments with various organizational cultures. Real people in all professions reflect aspects of all styles as well as secondary preferences, that is, backup styles. I discuss these in more detail in Chapter 8 on page 161.

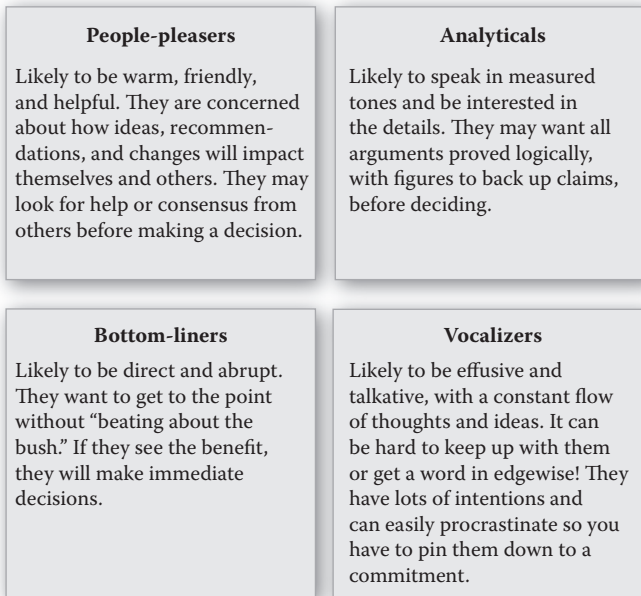


FIGURE 1.2 Summary of behavioral styles.

Clearly, people with a predilection for structure are attracted to internal auditing. On the surface, you might think that this behavioral preference would be ideal for audit. And, in general, it is. In order to appreciate the challenges this propensity for structure poses, you need to accept a fundamental premise: one’s greatest strength is also one’s greatest weakness. This paradox occurs because individuals tend to repeat behaviors that result in success and predictable outcomes. This leads to an overuse of one’s strengths.

In audit, the ability to understand performance criteria, compare organizational or process results with this standard, and identify and report on variances is at the core of an auditor’s critical competencies and is the hallmark of effective auditors. This same strength, when overused, can cause the auditor to become rigid and incapable of perceiving shades of gray in a business situation. When this predilection is overused, the auditor relies increasingly on checklists and performs less and less synthetic thinking. In extreme cases, the auditor’s behavior can simulate little more than a walking internal control questionnaire. Audit scopes and objectives cease to reflect the unique aspects of constituent businesses. Even this auditor’s reports can begin to reflect repetitive information.

Change is anathema to someone with a predilection for structure and repetitive routines because change is rife with uncertainty. Additionally, risk-based process auditing requires a great deal of synthetic thought, typically more than is required for a general controls review or a routine compliance audit. Auditors have to cull a great deal of information and understand a process that spans several departments and locations in order to determine what aspects are material. Decisions concerning

what should be in and out of a process audit's scope require a certain level of auditor risk-taking. Let's face it; decisions regarding an audit's scope may be too narrow. Inherent in these decisions is the risk that some important aspect of the process will be overlooked. As if this audit risk were not enough, there is always the vulnerability that a recently audited area will "blow up" shortly after a satisfactory audit opinion is issued.

KEYS TO ACHIEVING SUSTAINED CHANGE

So, if you want to establish and maintain a new habit, keep the following points in mind:

- Possess a true desire to make the change a reality. You need to really want to change your current habit and introduce a new one. True desire happens when you realize that if you change your behavior, your future will be better than your present. Sometimes a cataclysmic event, like the death of a close family member or friend, losing one's job, or being overlooked for a promotion that you thought you deserved, will cause you to realize that you need to make a change.
- Commit to a strong belief that you will be successful in dealing with the change. If you don't believe that you will be successful, you won't.
- Create a plan for change or a strategy you'll follow to achieve results. This plan enables you to follow a series of steps to make the change occur.
- Acknowledge that setbacks are a natural part of the change process and actually can provide a motivation for making or accepting a change. View setbacks as mistakes you've been given the chance to correct.
- Celebrate progress—great or small—when it occurs. Feeling good about what you've accomplished to date will help to motivate you to continue until you've completely accepted the new reality.

While reading this book, you may realize that you have to make some minor or even major adjustments to the way you approach an audit. If change is hard for you, the tips in this book can help you accept it more easily.

CHAPTER SUMMARY

- Use the Five Tier Audit Competency Model to develop, refresh, or reinforce key audit behaviors.
- Start to effect change by defining your desired end state over the next 30 days.
- Understand your own and others' behavioral style to identify how change affects you.
- Target the right behaviors when planning change.
- Making change happen means putting an end to habits and routines—accept your own and others' setbacks and celebrate progress.

QUIZ

1. A competency is mostly based on
 - a. Innate ability.
 - b. Skills acquired through training.
 - c. Skills developed from experience.
2. If you want sustained results, you should
 - a. Work on all your desired changes at once.
 - b. Work on changing one or two behaviors at a time.
 - c. Hire a professional coach.
3. The three types of change are
 - a. Macro, micro, and organizational.
 - b. Situational, focused, and widespread.
 - c. Personal, business, and foreign.
4. To achieve sustained change, you must target the right behaviors:
 - a. True
 - b. False
5. A strength can become a weakness when
 - a. It is not used enough.
 - b. It is overused.
 - c. It clashes with others' abilities.



The performance planning worksheet

My measurable, time-bound performance goal (i.e., my desired outcome)

Things I want to start doing

Things I want to stop doing

Things I want to continue doing

Observable outcomes and indicators that I've made positive change happen