

## Effective audit | inspiring change

“Internal audit agency is a rare phenomenon, and internal auditors who challenge the status quo are the exception rather than the rule. Inspiring others to change may be the best avenue to success.”

*Dr Rainer Lenz, head of corporate audit, Villeroy & Boch.*

Becoming agents of change is one of IIA Global’s latest mottos. “To be effective, internal auditors must possess not only sound judgment and critical thinking, they must compel others to an appropriate and sometimes urgent response.” I suggest that effective internal auditors can go further than compelling others to change, as IIA Global suggests in its most recent annual report; instead, they can inspire that change.

The notion of internal auditors as change agents is, for the most part, aspirational. In practice, internal audit agency is currently a rare phenomenon.

However, internal auditors may become change agents on a much greater scale. In doing so, the stereotypical model may transform from being reactive, responsive and seeking to meet others’ expectations, to being an agent who drives change at the very heart of a business.

A change agent breaks from institutionalised practices and contributes to establishing new patterns. That requires particular personal characteristics and competencies including, but not limited to, liaising successfully with auditees, senior management and the board or audit committee; business acumen; leadership and communication skills; listening and influencing skills; and the ability to develop relationships. When seeking to make a difference, inspiring others to change may

become the best avenue to success.

Literature on internal audit’s effectiveness indicates a disconnect between the “demand-side

perspective” – that is, stakeholders’ expectations and perceptions of internal audit – and the “supply-side perspective” – how internal auditors view themselves and their own role (Lenz and Hahn 2015). When internal audit does not have a clear supply-side

perspective, the expectation gap widens.

Within organisations, Van Peurseem (2004 and 2005) regarded the role of internal audit as enigmatic, meandering between the roles of watchdog and consultant. She reflects on the misunderstanding of internal audit’s role, and alerts to the dangers of a “jack of all trades” perception.

The gap between self-perception and external perception can be wide, in part due to management’s misunderstanding of the service internal audit provides. Narrowing this expectation gap increases the effectiveness of the audit.

In seeking to heighten the efficacy of the audit, it is worth acknowledging that some of an internal audit function’s shortcomings and

limitations can be self-inflicted. The self-perception of IAs can distance them from key stakeholders and cause avoidable problems. An overly modest self-perception (the IA acting as the servant) and the use of

self-evident and empty, jargonistic language (the IA as consultant) display a lack of identity and may lead to marginalisation in the eyes of the stakeholder. Overly ambitious claims and pretending to be the expert of everything can

pave the way to disappointment in the eyes of stakeholders, as internal audit over-promises and then under-delivers.

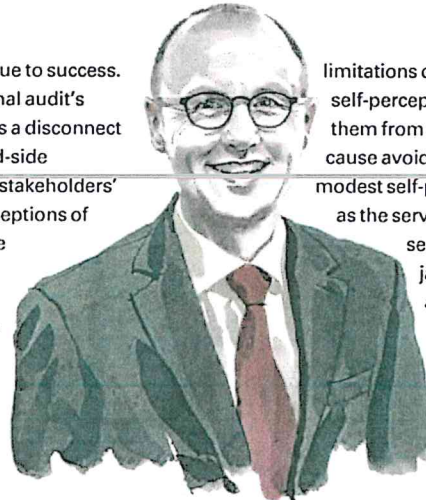
Inspiring others to change may be the more promising path. This requires a focus on strengthening existing controls and processes, thus acknowledging that there is already something good in place; bolstering the overarching organisational culture; looking for the root cause of risks; as well as asking questions rather than claiming to know it all. A healthy dose of modesty also helps.

Change agents do not alter processes or people by themselves, rather they sow the seeds that inspire change in others.



### FURTHER INFORMATION

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