

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

C.A. Milan Mody

WIRC of ICAI  
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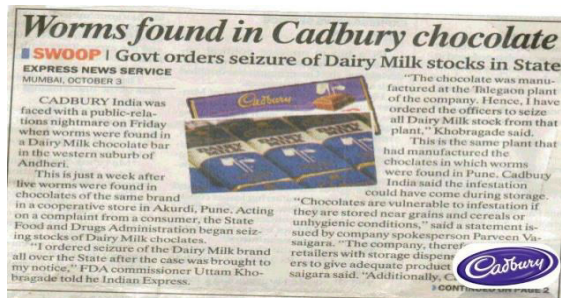
Stakeholders,  
expectation,  
form of  
communication

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

## Issue



## Implication

- Sales declined by 30 per cent, at a time when it sees a festive spike of 15 per cent

## Measures taken

- Revamped the packaging
- Roped in Amitabh Bachchan as brand ambassador
- Upped advertisement spends

## Result

- Within six month due to measures taken, recovery began in May 2004

# Reduction of time-span for executive summary presentation



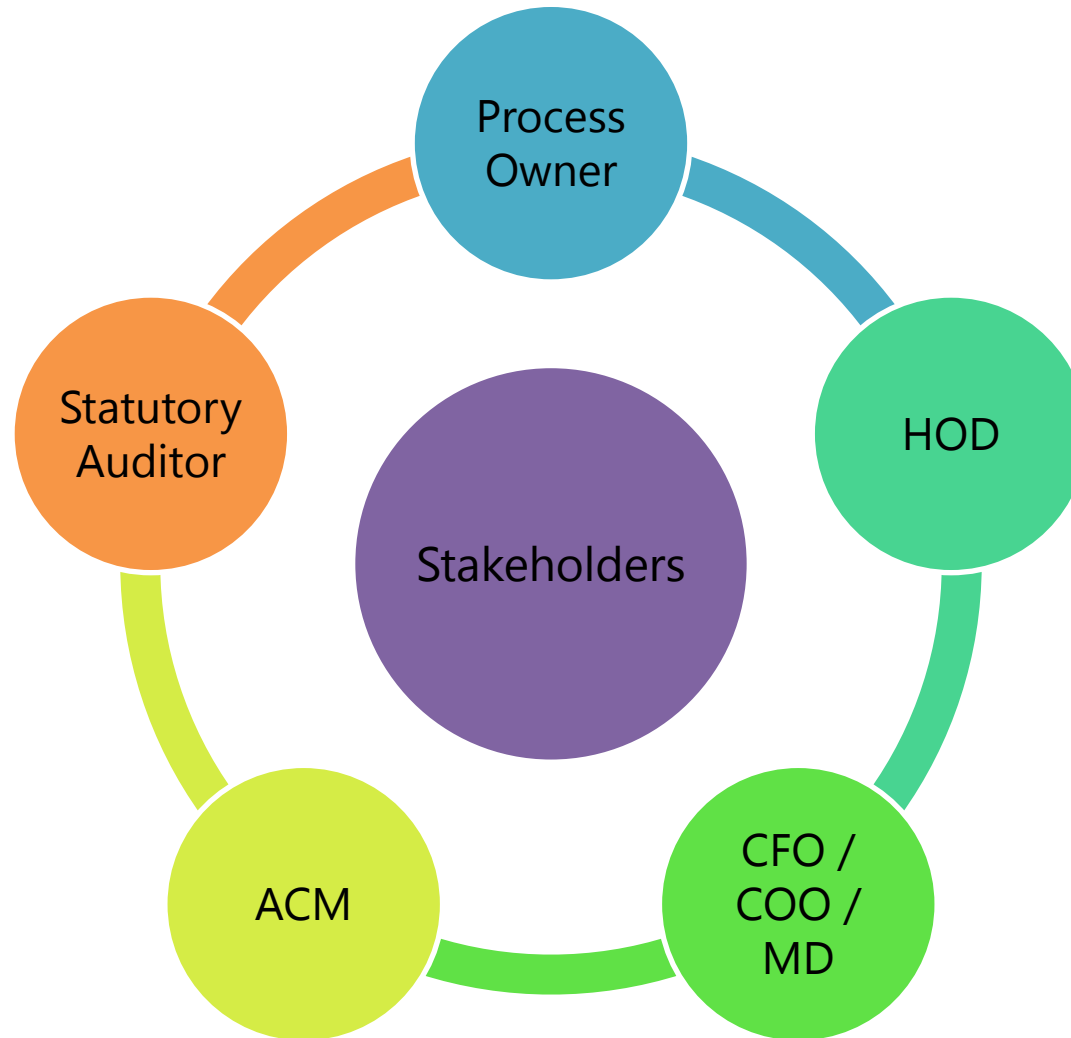
- Previously – 1 to 2 hours
- Now – less than 1 hour
- Reduction in attention span – earlier it was 45 minutes now maybe like Maggie – 2 minutes / instant

# First impression is last impression

**“ You never  
have a second  
chance to  
make a first  
impression ”**

- People begin forming an opinion within seconds
- Difficult to reverse first opinion

# Who is the stakeholders of internal audit?





# 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

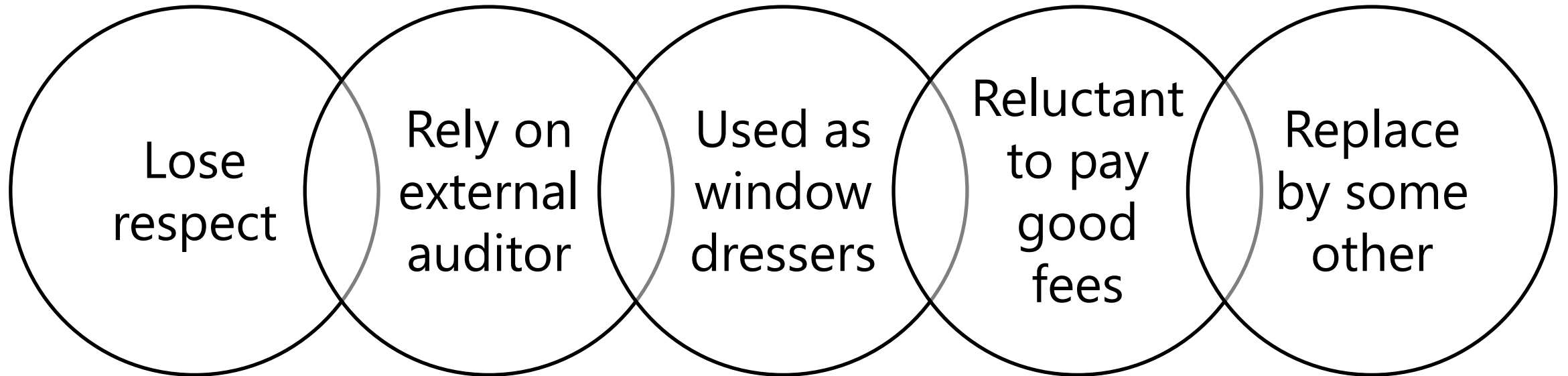
Lack depth

Know more about problem than solution

Not modern thinker

Solutions are impractical

# What if expectation is not fulfilled?



# 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

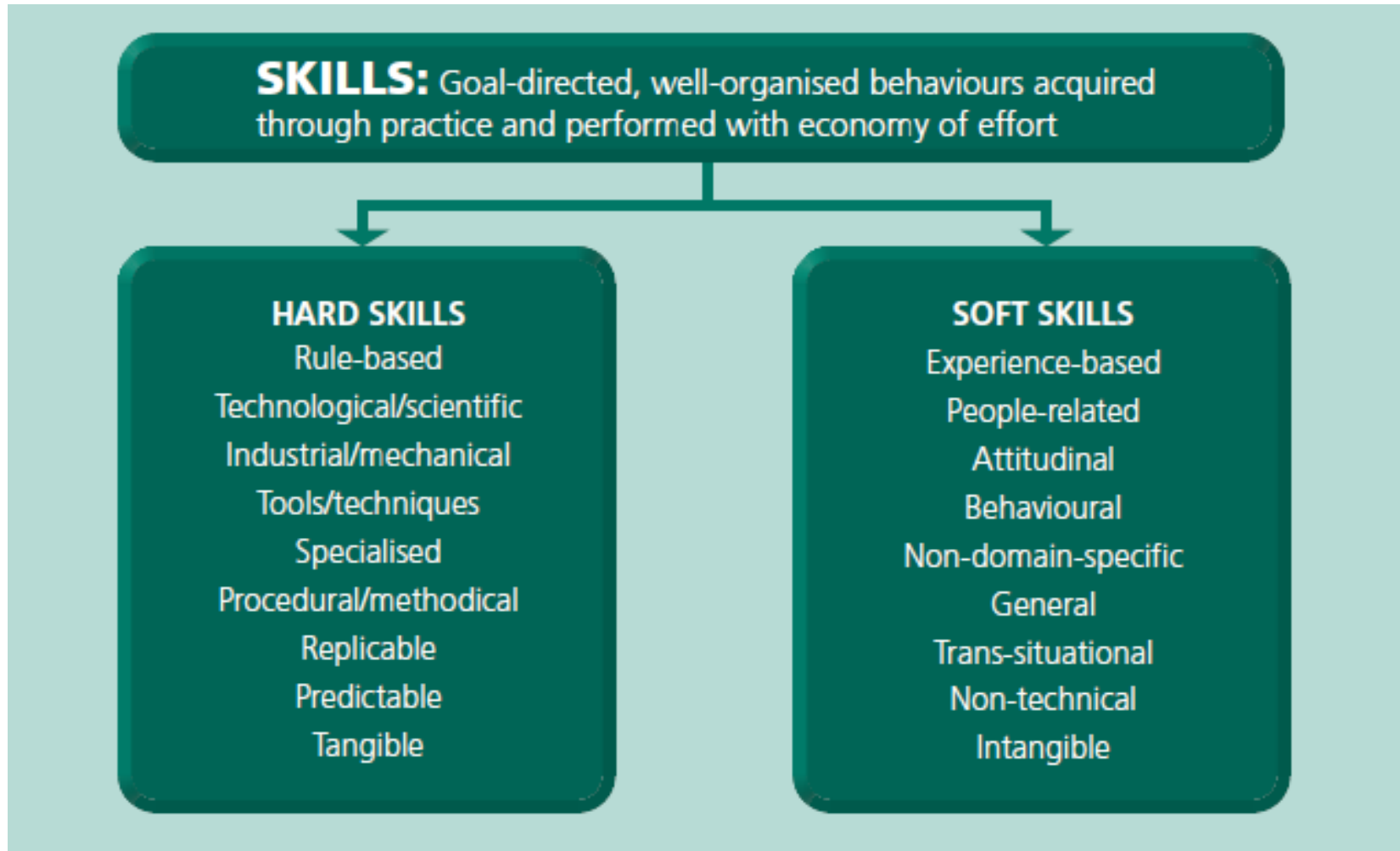
What is soft-  
skills ?

# Soft skill & it's attributes

Personal attributes that enable someone to interact effectively and harmoniously with other people.



# Soft-skills vs. Hard-skills



Technical skills get you what you want however soft-skills take them where you want



# Influencing skills

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.

## Push

- Task focus for short term
- Stating wants and needs
- Outline consequences
- Giving feedback
- Suggesting & proposing Ideas

## Pull

- Relationship focus for long term
- Positive listening and questioning
- Being open
- Giving positive support
- Finding commonality & using vision

# 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**

*-Vla Martin*

# 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 give more than you want]

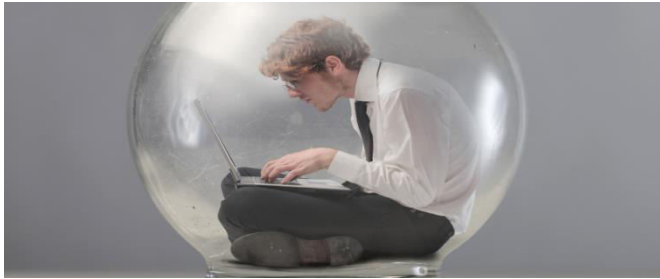
Understand practical difficulty [it help to suggest practical suggestion]

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 co-operation  
Client is defensive  
Vanilla audit finding

## Auditing with soft-skills



Engage in conversation  
Prepare for meeting  
Ask intelligent questions  
Present with enthusiasm

Get information easier  
Reduce follow-up  
Gain additional insights  
Value added audit

# 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

# Tips for meeting

Stay objective,  
independent

Be firm, do not hide  
or minimize when  
something is wrong

Explain that it is  
about the  
procedure, not the  
person

Be professional, do  
not blame

Adapt to behavior of  
auditee

Be direct and show  
empathy

Do not raise your  
voice, stay calm,  
especially when  
something is wrong

Give constructive  
feedback and  
positive feedback

Teaching, tell what is  
missing

Integrate  
suggestions

Find the right  
argument to change  
habits

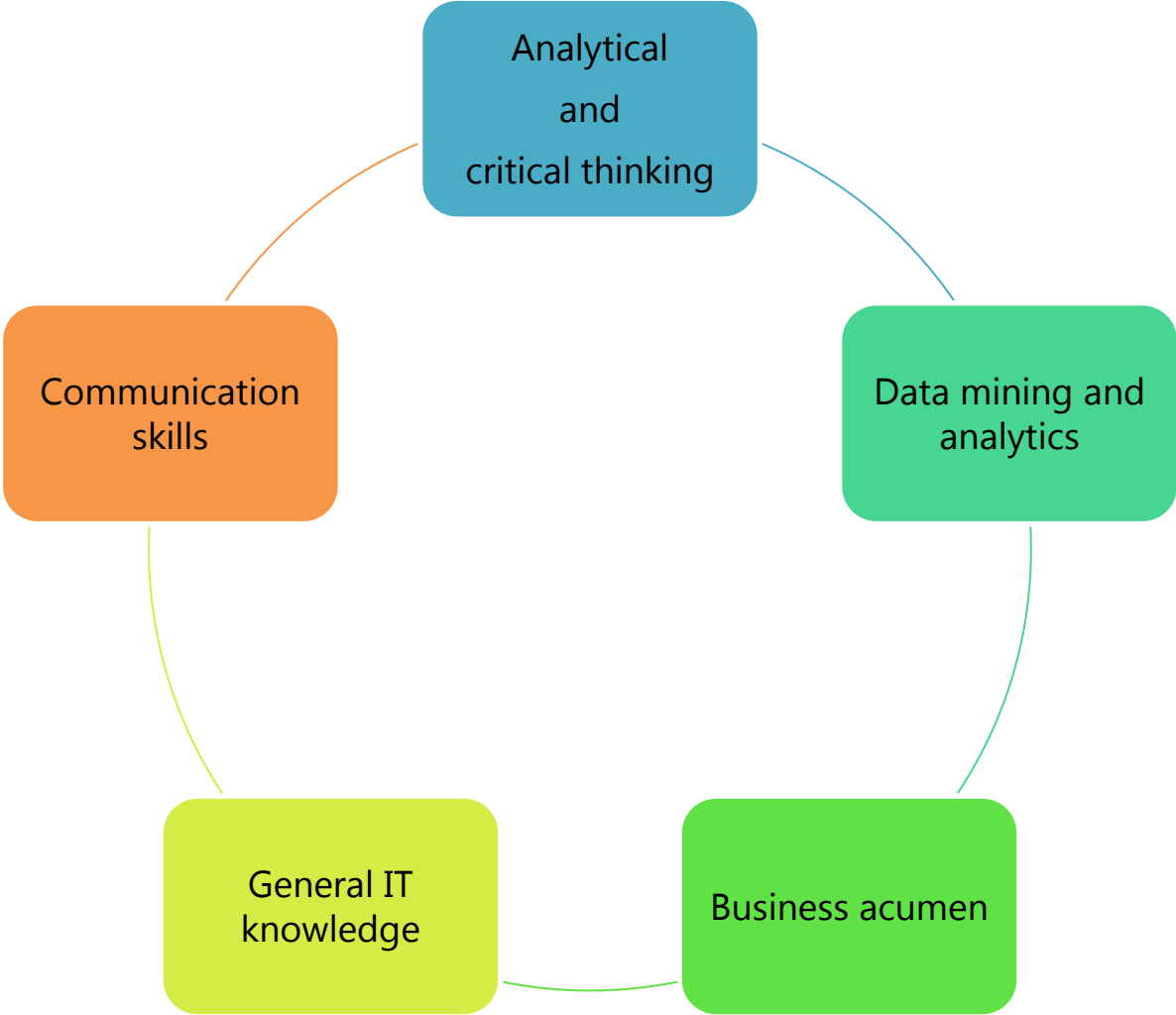
Focus on solutions,  
improvements which  
are possible

Good eye contact

Soft-skills  
required for  
effective internal  
audit



# Skill sets required for Internal Auditor



# Soft-skills required for effective Internal Auditors

1. Integrity

2. Build relationship

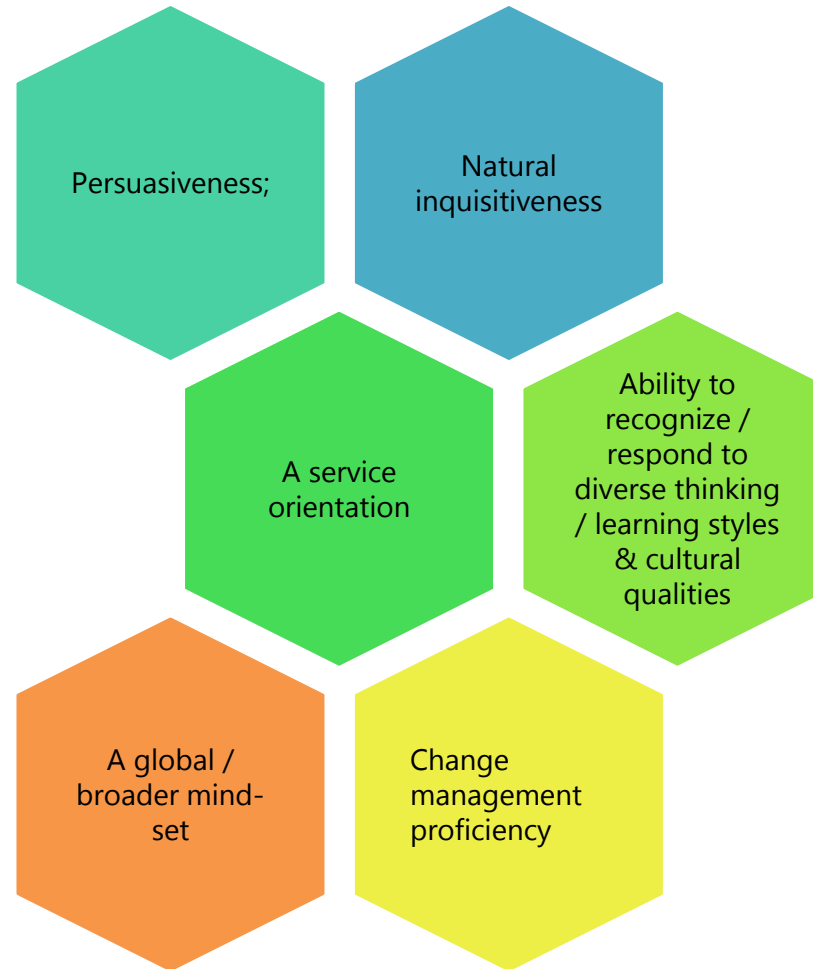
3. Partnering

4. Communication

5. Team work

6. Diverse knowledge

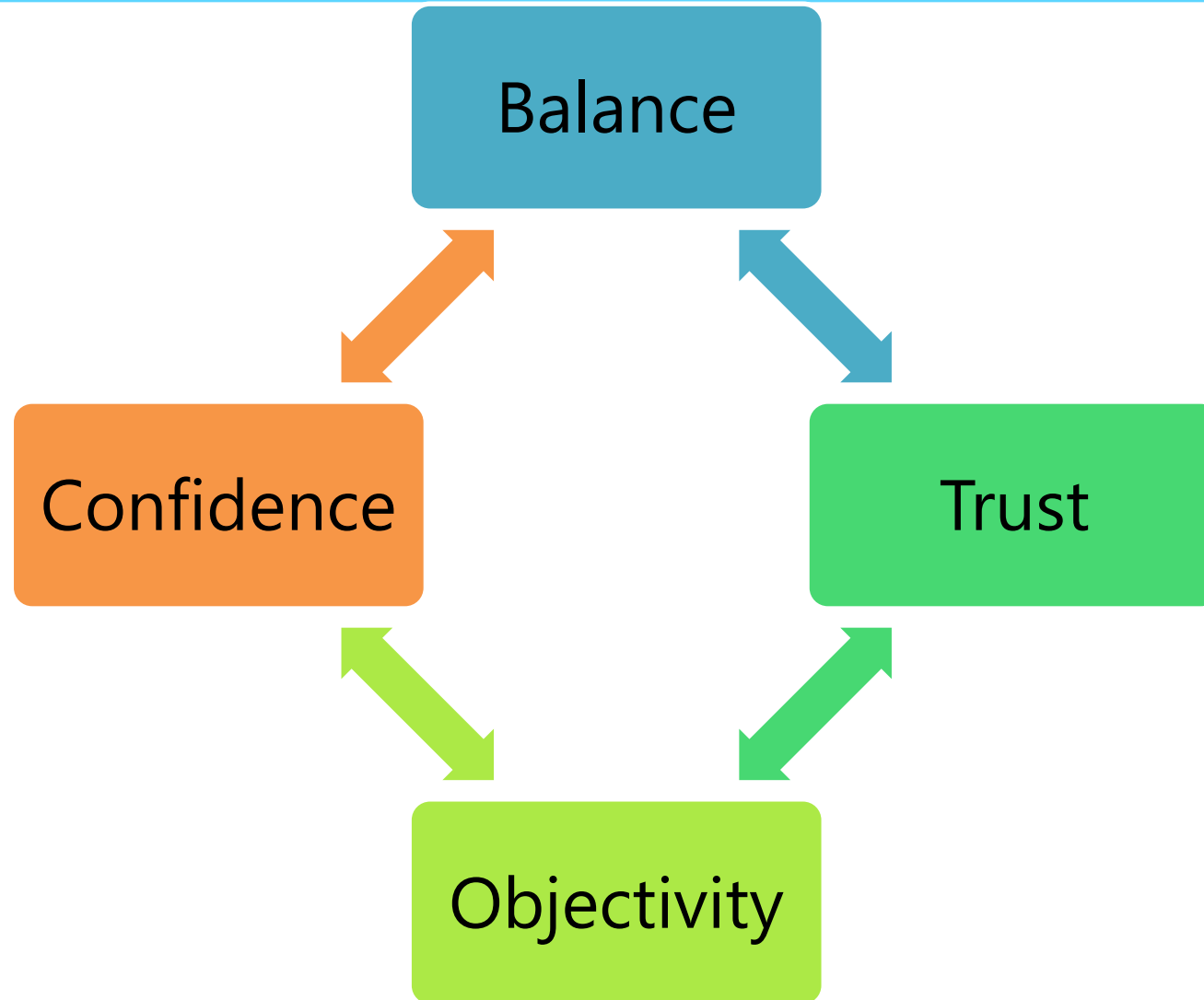
7. Continuous learning



"Soft skills are the new hard skills..."

– Larry Harrington,  
**Chief Audit Executive,  
Raytheon Company**

# 1. Integrity

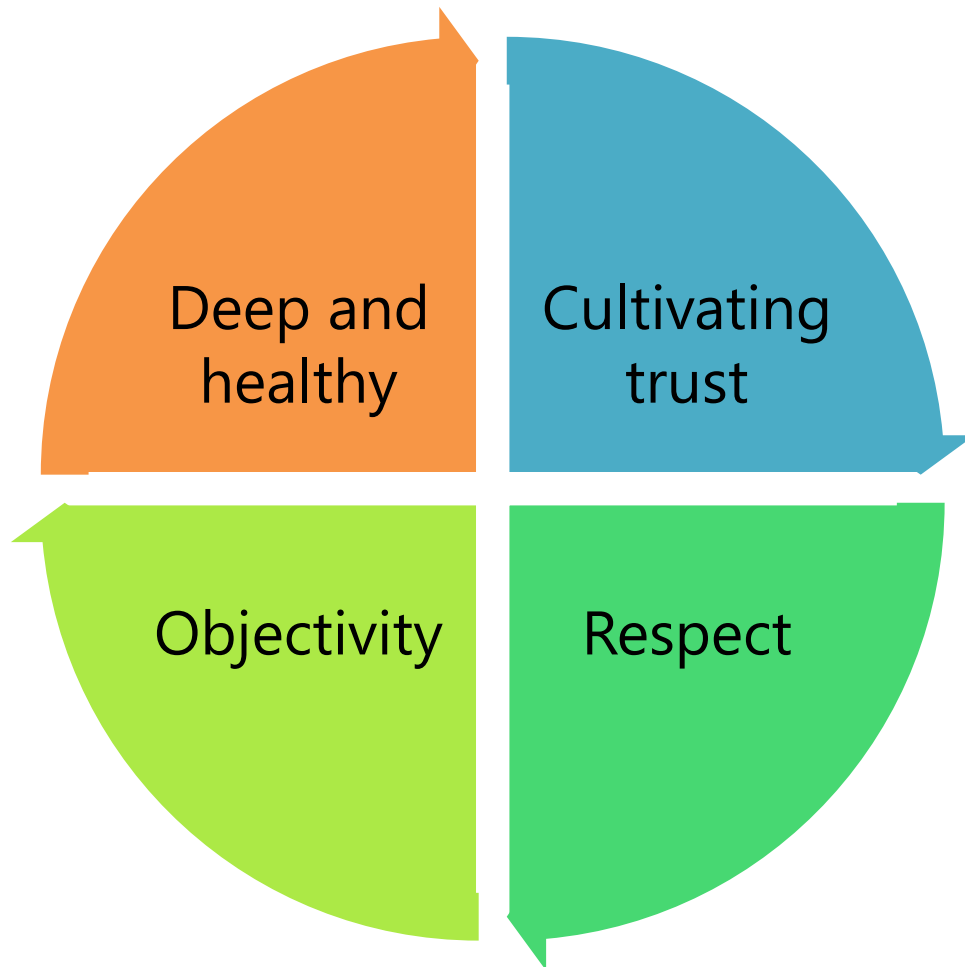


**AS INTERNAL  
AUDITOR, YOUR JOB  
SHOULD NOT BE  
WHAT MANAGEMENT  
TELLS YOU.**

QUOTEHD.COM

John Farahi

## 2. Building relationship



Reduce  
resistance

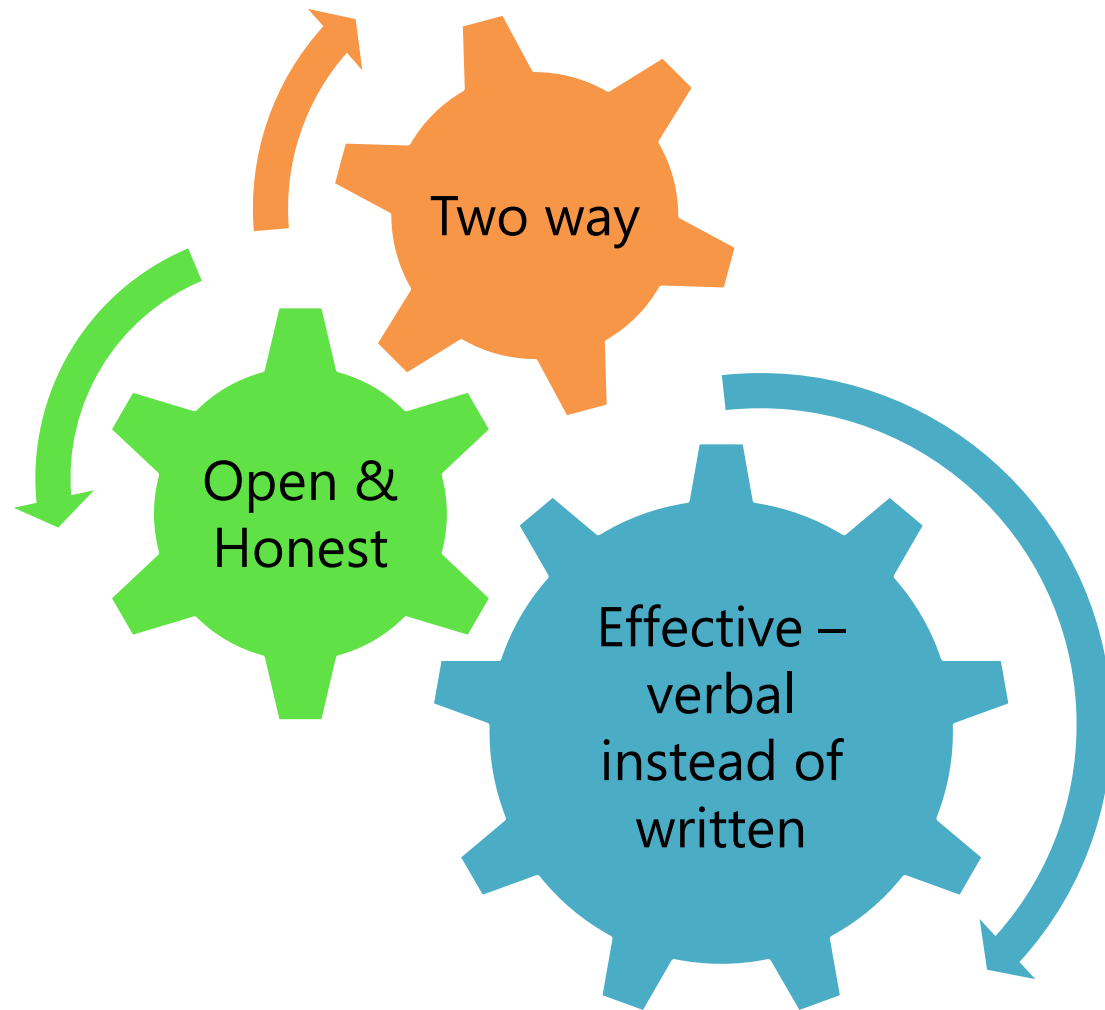
Increase  
speed delivery  
of information

Increase more  
understanding

# 3. Partnering



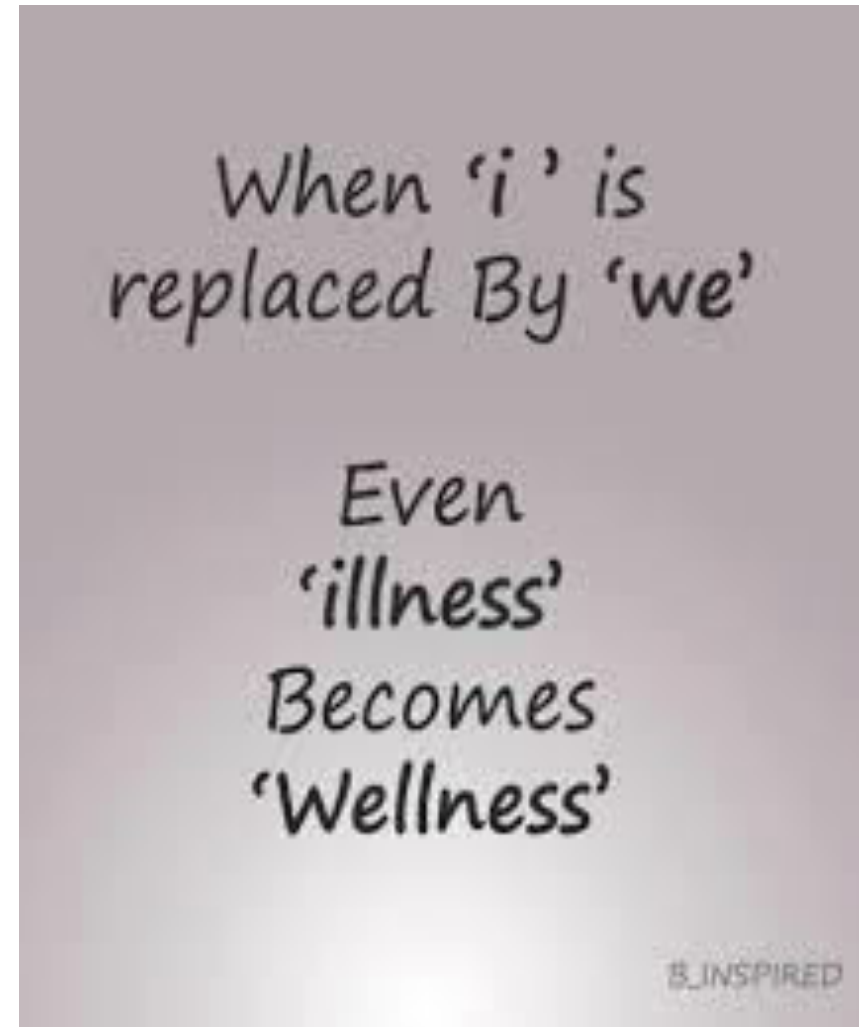
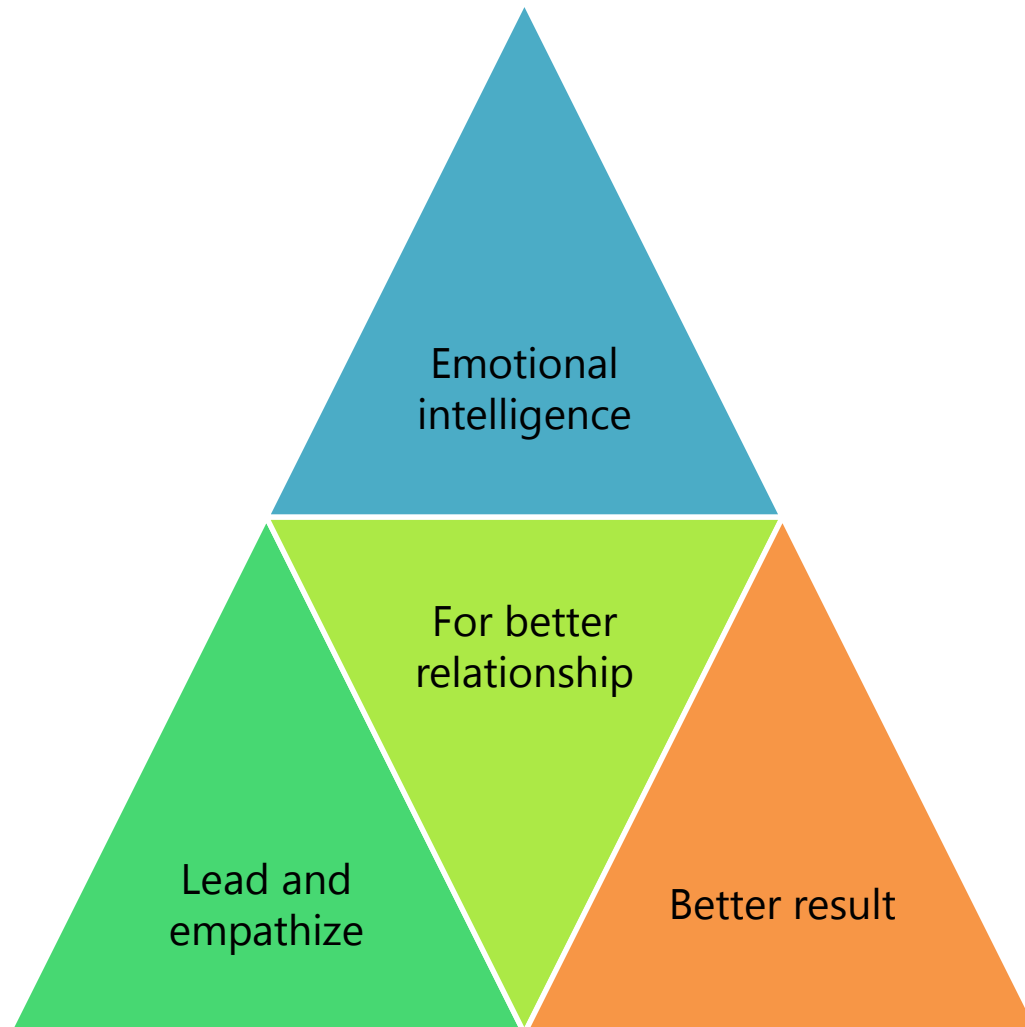
# 4. Communication



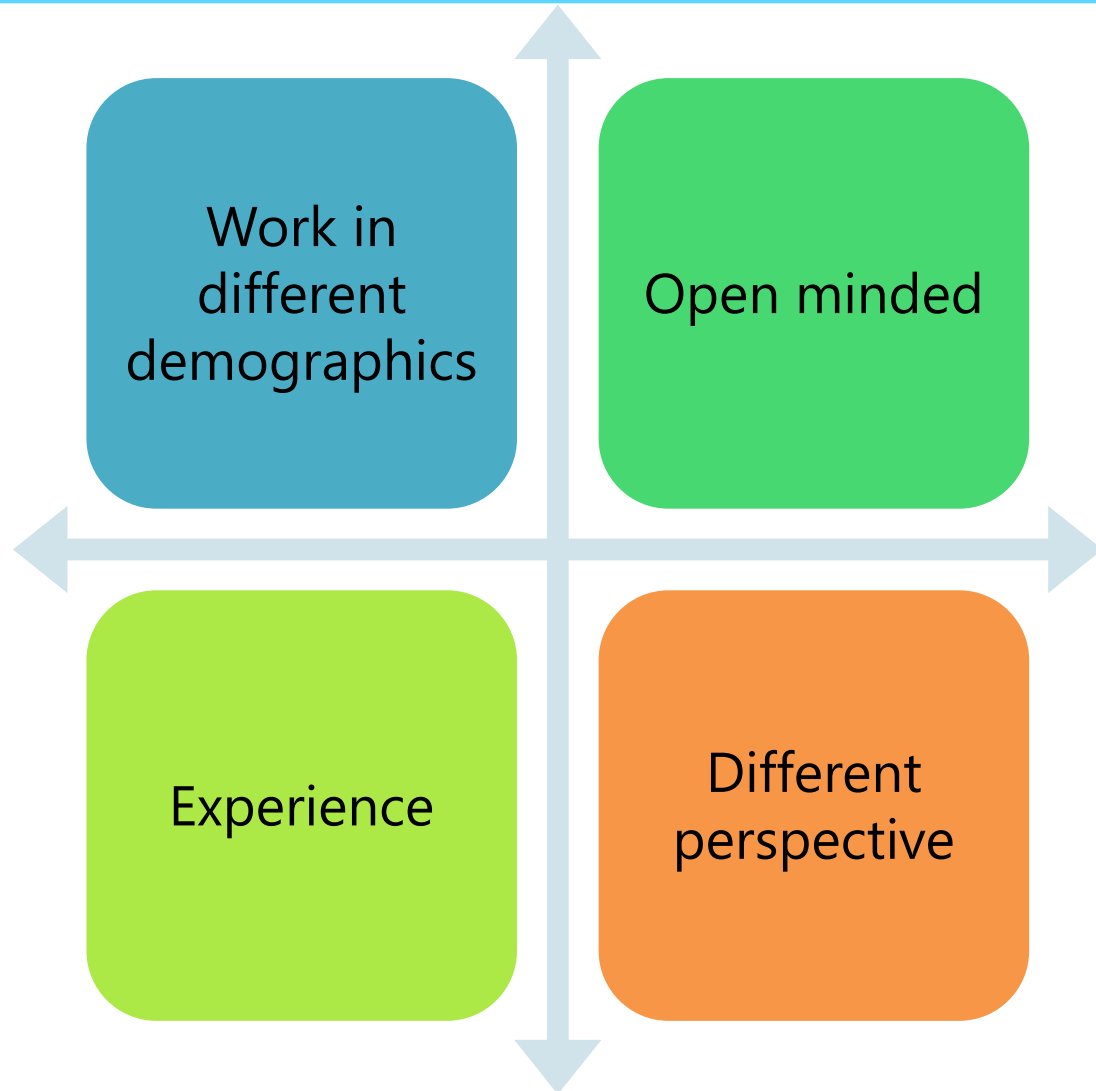
“Communication must be HOT. That’s Honest, Open, and Two-way.” - Dan Oswald

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

# 5. Teamwork



# 6. Diversity





# 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

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

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

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

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Take clarification on conflicting observation in advance

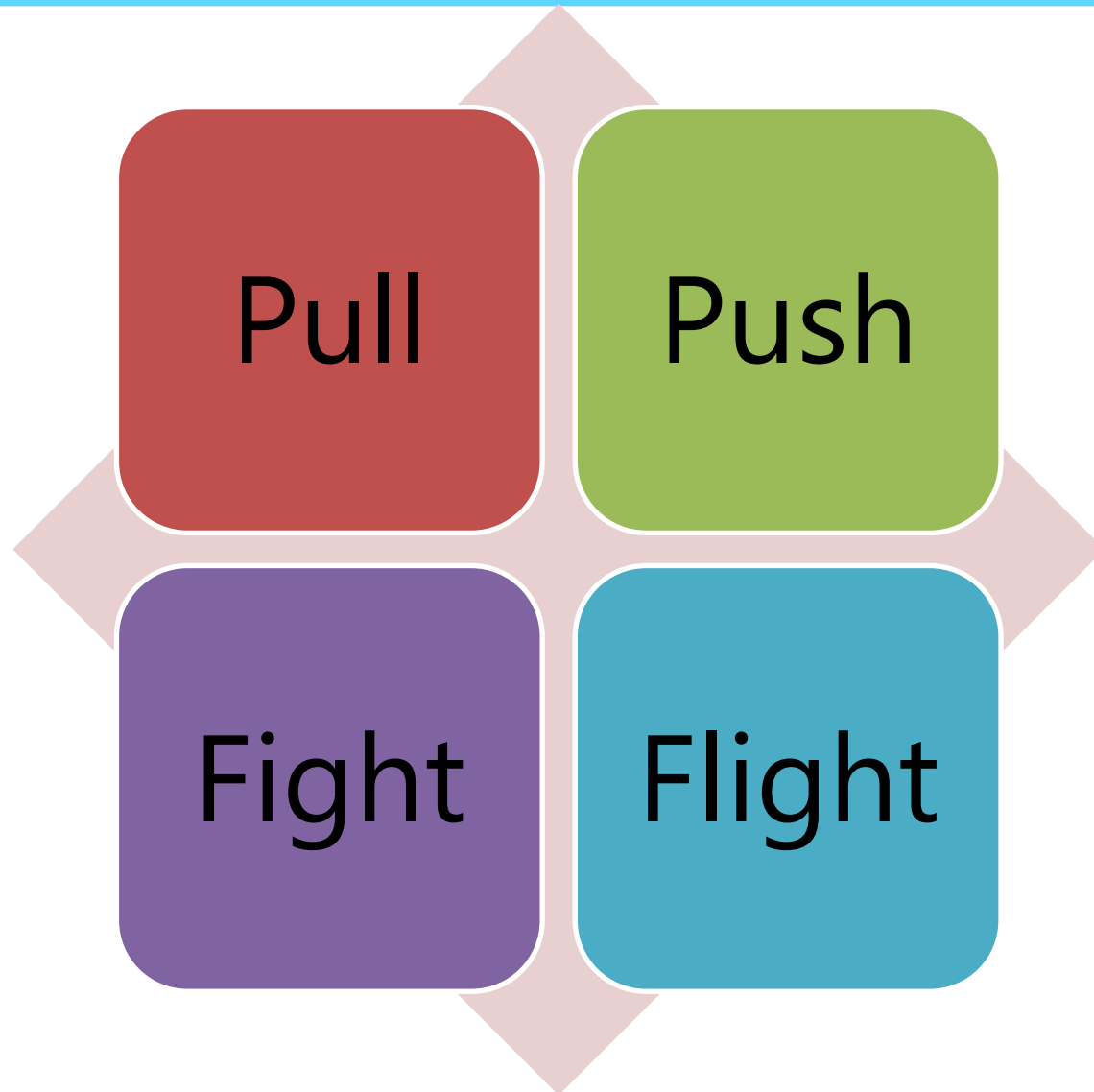
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Keep detail report handy for further details if required

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

# Understand when to



# How to develop soft-skills

# How to develop of 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

**“THE MORE  
INFORMED YOU  
ARE, THE  
LESS  
ARROGANT  
AND  
AGGRESSIVE  
YOU ARE.”**

— NELSON MANDELA

- 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



Be precise



**Don't give Pineapple**

**AS**

**Readers' want only Juice**



# Benefit of rounded internal auditor



# Resources

# Resources

- Seven Attributes of Highly Effective Internal Auditors (Chambers & McDonald, 2013)
- <https://www.iaa.org.uk/media/1042554/iaa-soft-skills-for-internal-audit-101214.pdf>

# Q & A Session



Thank You

C.A. Milan Mody