

Improving Client Relations

Honing client interaction skills can significantly improve the effectiveness of audit engagements.

By Michael A. Breon and Randall F. Stellwag

Internal auditors must meet and interact with as many people as possible during an audit, from the receptionist to the third-shift receiving clerk. After all, some of the best audit leads and insights come from people who are on the fringe of the audit.

All too often, however, auditors rely on a small number of primary contacts — such as the controller, chief financial officer, or business process manager — to supply all the information for an engagement. In some instances, these individuals may even prevent the auditors from speaking with other members of the area under audit — a practice referred to as *funneling* (see “Warning Signs of Funneling” on page 21). But regardless of whether this occurs, talking only with supervisors and managers may not elicit the detail and precision necessary for an effective audit.

Internal auditors must break down any barriers that keep them from those who perform the actual business tasks, while at the same time avoiding any damage to their rapport with the primary audit contact. By enhancing their interpersonal soft skills, auditors can walk this delicate line more effectively and increase the likelihood of identifying opportunities for organizational improvement. Several key skills, in particular, help auditors gain access to all relevant clients and elicit the kind of information that will result in better audits.

GET TO KNOW THE CLIENT

Auditors should try to meet with primary audit contacts before starting the audit. Meeting the client for lunch, for example, can help “break the ice” and provide a more relaxed environment for initial discussion. During the meeting, auditors should try to identify some common ground that can be used throughout the engagement to shore up the relationship and build rapport. They should also take note of the clients’ mannerisms and reactions and keep them in mind later when performing the audit — a practice referred to as *norming* or *calibration*. When posing a tough question to the client, for example, the auditor can then observe whether the client’s mannerisms change or become suspect compared to those observed while building rapport. Further probing may be warranted if discrepancies are noted.

UNDERSTAND THE BUSINESS

Internal auditors need to learn about the business process under audit before speaking with process owners. Otherwise, clients may perceive the auditors as ill prepared or uninformed. When an auditor lacks familiarity

with the client’s business, internal auditing’s credibility and professionalism may be called into question, and the relationship with the client can quickly become impaired.

Understanding client business processes up front enables auditors to devote more of their engagement efforts to audit work. In other words, it helps ensure practitioners don’t spend an inordinate amount of time learning while on the job, focusing instead on staying alert for unusual items, changes in behavior, and other potential issues. Moreover, clients are likely to point out more complex issues and solicit input if they feel comfortable with the internal auditors’ abilities. These insights, in turn, may lead to opportunities for value added recommendations and can enhance the internal audit value proposition.

SHOW RESPECT

Auditors should avoid excessively confident or arrogant behavior. In most instances clients will know more about their operation than the auditor, and they deserve respect for their expertise. Although the auditors should seek to add value by offering suggestions for improvement, they need to approach this process tactfully and avoid condescension. Working collaboratively with clients in a didactic manner typically achieves the best results. By contrast, an adversarial or “gotcha” approach can sour auditor-client relationships and compromise the review process.

ASK OPEN-ENDED QUESTIONS

When asking tough questions, auditors should avoid phrasing that may seem confrontational, and they should refrain from steering the response. For example, instead of saying, “You review the xyz report weekly, correct?” the auditor could say something like, “Could you help me understand how often you review the xyz report?” Some refer to this approach as the “Columbo Method,” named after the popular U.S. mystery television series. Essentially, auditors should ask open-ended, nonthreatening questions, followed by requests for clarification.

EXPRESS INTEREST

Auditors should try to show genuine interest in their clients’ work. In most instances, clients are proud of what they do, and they are excited to share the details of their work. Expressing interest can elicit valuable information and enhance client relationships.

Auditors can demonstrate their interest by spending time with the client and by asking relevant, informed questions. Although this approach takes time, it can lead to insight and knowledge that might otherwise be overlooked. For example, unusual or infrequent transactions or events may not surface during standard interviews or via sample-based testing. But if the auditor spends adequate time observing and talking with

the process owner, unusual transaction activity might occur during that time and eventually lead to better audit knowledge and value added recommendations.

REMAIN IMPARTIAL

Clients should be assured that the audit team is only interested in the facts and that no one is looking to judge them or their work product. Auditors need to listen carefully and objectively to their clients and avoid approaching discussions with preconceived notions or biases. Maintaining impartiality will not only enhance audit results, but it should result in a stronger relationship, even when engagements lead to numerous audit findings.

QUALIFY AUDIT FINDINGS

Clarifying the significance of audit findings, and recommending workable solutions, helps maintain auditor-client relationships and establishes the internal auditor as a trusted business adviser. For example, suppose an internal auditor discovers that someone in the organization has the ability to receive goods into inventory, perform physical inventory procedures (cycle counts), make inventory adjustments based on inventory counts, and directly write off damaged inventory to scrap. When reporting this finding, the auditors must do more than simply document the access and segregation of duties issues. They must elaborate on the finding's significance by mentioning the potential for loss of inventory (assets), as the individual's system access provides an opportunity to inappropriately write off usable product as damaged, lost, or never received and then use it for personal gain. Descriptive reporting of this type adds value to the audit by enabling management to fully appreciate the risks associated with findings and take appropriate action to address them. Additionally, internal auditing should assist management by suggesting a remedy for the issue using resources currently available, if possible.

DON'T BE AN ALARMIST

When identifying an issue, auditors should keep its criticality in context. Managers and business leaders do not appreciate drama, and overreacting can hurt the auditor's credibility and rapport with critical business contacts. Sticking to the facts can help keep situations from spinning out of control.

THEORY VS. PRACTICE

Successful internal auditing goes well beyond what is learned through textbooks and educational seminars. Auditors who appreciate the need to balance audit theory and procedure with key soft skills will be able to identify critical business risks more effectively. Practitioners should always keep in mind that, while systems



and processes play an important role in organizations, performance is ultimately a reflection of the people behind them. Effective auditing takes the human element into account, rather than functioning in a vacuum, and tailors engagements accordingly.

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