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INTERNAL AUDITING BEGAN AS AN ACCOUNTING function and has since blossomed to encompass a much broader domain that includes quality assurance, risk assessment, and control assurance. However, the basic function of an audit is still to compare what is with what should be; that's probably never going to change. The problem is defining and enforcing what should be.

Because variances exist, employees err, and there will always be people who lie, cheat, and steal, auditing is necessary to ensure consistency, predictability, accuracy, reliability, and honesty and integrity within an organization. To accomplish these goals, auditors need to have a holistic picture—a sense of systemic thinking. They have to understand the importance of maintaining well-informed employees who contribute to the organization in ways that may not be dictated specifically in their job descriptions. Auditors must also work toward giving people the tools and trust they need to perform their jobs.

Instead of acting as a policing tool for management, internal auditing should be an instrument for obtaining and sharing clear, honest data and feedback about how systems are operating. Hopefully, this will lead to well-informed decision-making by the organizational leaders who have a stake in the proper functioning of business processes.

SUCCESSFUL CONTROL

Although controls are vital in an organization, they can also create problems. Maintaining control in a way that rigidly defines how everything is and will ever be stifles innovation. Control systems need a self-regulating mechanism that essentially forces reexamination of their viability—a process that invites innovation and still maintains control.

Controls must also be process- and system-driven, rather than people-driven, because people hate to be controlled by other people. Auditors shouldn't be pointing their finger in employees' faces, telling them what to do. That approach fosters a parent-child model of interaction, as opposed to a respectful, adult relationship in which employees feel valued and trusted. As they approach control issues, auditors, managers, and the other "police" in the organization should consider the employees whose work they're auditing as trustworthy, com-

petent adults who want to do the best job they can. Employees ought to perceive internal auditors as allies, rather than adversaries; otherwise, an environment of trust cannot develop.

Some organizations stress the need to detect and correct human error or misbehavior, although probably only 3 percent of employees are inherent troublemakers. This overemphasis implies mistrust of the other 97 percent on staff who want to do a good job, and it creates a stifling culture. Organizations should stop focusing efforts on controlling the 3 percent and help the 97 percent to realize their potential. Auditors who act as organizational police and managers who micromanage and attempt to control each and every process will never get the best from the organization's employees.

A WORKING ANALOGY

The performance appraisal process can be viewed as a type of auditing instrument. Few managers love to give performance appraisals, and few employees love to receive them. The process is clearly rooted in a power and authority model in which the manager determines whether the employee will receive a raise, a promotion, or disciplinary action. That kind of model doesn't foster adult-to-adult relationships.

The typical appraisal utilizes a rating scale that categorizes employees' performance in certain areas. On a one-to-five scale, one represents a serious need for improvement, and five describes the model employee. Although a few workers score a five, the majority get threes and fours; and receiving a four isn't likely to motivate an employee to improve performance. Moreover, those who score a five aren't going to share their expertise with the twos, threes, and fours if they know that their superior performance leads to pay raises. Managers who utilize this type of measurement system may not realize its impact on employees—nothing about it instills teamwork or trust.

Landes Communications helps our clients to employ a different kind of performance development model. We suggest that supervisors meet with their staff members twice a year to discuss individual accomplishments during the past six months. They look at areas that the organization has determined to be key measures of success for the upcoming year, and plot an action plan—specific steps that the employee can take to help the organization achieve its goals. They don't discuss any negative issues whatsoever.

Many people view this performance development system as idealistic and unrealistic; they wonder how they can deal with employees' problem areas if their biannual meetings address only accomplishments. The answer is simple: Instead of waiting six months, tackle problems as they arise. We believe that this approach fosters organizational trust. Likewise, when performing their assessments, internal auditors should factor in the humanity of clients and ensure that their audit processes promote respectful, trusting, adult relationships.

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