Selling Audit Ideas

Surfacing Issues, Identifying the Real Causes & Getting Managers to Act

The Institute of Internal Auditors
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John J. Hall, CPA is the founder and President of Hall Consulting, Inc., and the author of the award-winning book “Do What You Can! Simple Steps–Extraordinary Results”. He has been a business consultant, results coach and speaker for most of his career.

Through live skills training programs, conference keynote presentations, business and personal results coaching, and business consulting engagements, John helps program participants and client team members:

- Identify and improve areas of exposure to business risk, wrongdoing, and fraud
- Improve organizational and personal performance
- Enhance the effectiveness of business processes and individual behavior
- Improve interpersonal and communications skills

**Speaking, training, coaching and consulting areas include:**

- Fraud Risk Management: prevention, deterrence, early detection and effective incident response
- Business keynote and conference presentations
- Communication and interpersonal behavior skills programs, including:
  - Establishing business rapport and trust
  - Effective interviewing and listening
  - Speaking and presenting
  - Selling ideas and influencing others to take action
  - Leadership, collaboration and influence
  - Consulting skills for professionals
- Intensive One-to-One and small group performance and results coaching
- Board and senior management anti-fraud consulting
- Audits of costs incurred in large construction projects and other contractor services

Mr. Hall has over 40 years of experience as a professional speaker, consultant, corporate executive, and business owner. In addition to operating his speaking, training and business consulting firm since 1990, he has worked in senior leadership positions in large corporations and international public accounting and consulting firms.

John is a Certified Public Accountant (Pennsylvania) and Certified Board Advisor. He is an active member of the National Speakers Association, the American Institute of CPAs, and the Institute of Internal Auditors.

Meet John at www.JohnHallSpeaker.com
AGENDA

Enhance the audit, behavior, communications, collaboration and leadership skills of professional auditors to prompt action where action is needed

GETTING STARTED EXERCISE

1. Do you have any sales experience and/or sales training? Please list details.

2. You just completed the closing meeting on the last morning of fieldwork, and that meeting went really well. Describe what you feel supports that conclusion. Be specific. Include specific attributes from the meeting.

3. Imagine instead that the closing meeting just ended. But this time it went horribly. What happened? What did people say? Why do you feel it went so poorly? Be specific.

4. In his best-selling book, “The Seven Habits of Highly Successful People”, Stephen Covey instructs us to “Begin with the end in mind.”

What do you want to accomplish here by the end of this program? Please be specific.
IMPROVEMENT IDEA SALES LIFECYCLE for AUDITORS

The sale of ideas begins at the moment of first contact – and continues through the entire audit project.

Conscious attention at every business-focus point of contact – including emails – is essential to improve the probability of improvement idea acceptance and resultant action.

For professional auditors, these opportunity moments include:

1. Audit project announcement
2. Data and information requests made before formal fieldwork commences
3. Fieldwork entrance meeting (kick-off meeting)
4. All interviews
5. All verbal and written status reports
6. Draft report delivery
7. Fieldwork closing meeting
8. Final report delivery
9. Executive summary
10. Post fieldwork informal follow-up (+/- two weeks after closing meeting)
11. Post fieldwork formal follow-up (+/- six months after fieldwork ends)

GROUP EXERCISE

Listen to the verbal instructions and create a list of actions for the items in the above list that are assigned to your team. Start each action statement with, “We could…”
SUGGESTED READING LIST

1) “Quiet Leadership” – David Rock
2) "Switch: How to Change Things When Change is Hard” – Chip Heath and Dan Heath (see also www.HeathBrothers.com for some great free downloads)
3) "Influence: The Psychology of Persuasion” – Robert B. Cialdini
4) “Pre-Suasion” - Robert B. Cialdini
5) “The One-Minute Sales Person” – Spencer Johnson
6) “Nudge” – Richard Thaler and Cass Sunstein

CHANGE ‘COMPLEXITY REDUCTION’ PRACTICES

1. Hints from “Switch”
   a) If you want people to change, you must provide crystal clear direction.
   b) When the elephant and rider disagree, the elephant wins. The driver may win in the short term, but not over time.
   c) Uncertainty makes people anxious.
   d) When the road forward is uncertain, most people will take the default path.
   e) Every barrier that’s removed makes the path clearer.
   f) Clarity dissolves resistance.
   g) The Foggy Period is normal
   h) Copying ______________ _______________ _____________ progress

2. The Destination Postcard
   a) Pictures / vision of the future that is possible. Create a “Destination Identity”
   b) Transition stories are ‘sticky’
   c) The two most powerful words we can use: _____ ______________

3. Maintaining progress on long-cycle changes
   a) Chunking and then Sequence (verb!) small solutions
   b) The Journey of a Thousand Miles begins with a __________ __________
THE BETTER! AUDITING SKILLS FRAMEWORK

LEVEL 3 – MASTERY OF ‘INTERNAL’ CONSULTING SKILLS

1. We are seen as legitimate experts
2. 50 – 50 Partnership
3. “How can we...”
4. Results come from expressing informed opinions

Work and results are based on authenticity, intentional relationships, and on real and apparent expertise

THEY ASK FOR OUR IDEAS AND OPINIONS

LEVEL 2 – MASTERY OF INTERPERSONAL AND COMMUNICATION SKILLS

1. Intentional presence
2. Establishing rapport and trust
3. Listening and interviewing
4. Speaking and presenting
5. Selling improvement ideas and getting action
6. Leadership, collaboration and influence

Results come from interaction during projects

THEY WANT TO LISTEN

LEVEL 1 – MASTERY OF CORE COMPETENCIES

Our Ticket to Entry – No more, No Less

1. Core business and administrative skills
2. Ability to demonstrate knowledge of organization and applicable industries
3. Governance, Compliance, Risk and Control Skills
4. Technical skills, including knowledge and application of audit and review standards, data collection and analysis techniques
5. Critical thinking
6. Emotional intelligence

Results come from designed tests and observation

WORK IS BASED ON AUTHORITY - SO THEY HAVE TO LISTEN
INTENTIONAL PRESENCE & PHYSICALITY: HOW WE ‘APPEAR’ TO OTHERS

If we want to stand out, dress well, speak well and carry ourselves well. Project the strength and energy within us that cares and is enthusiastic.

- “The Millionaire Messenger” Brendon Burchard

When we speak, assume that listeners are looking for verbal and non-verbal clues that reinforce or detract from our message. Of course, our well-planned words will make our case. Content is critical. But beware of undermining those words with non-verbal signs that conflict with our intended message.

When there are conflicting messages, non-verbal attributes perceived by others far outweigh what is said.

Avoid giving people the opportunity to discount what you have to say. Stress clues that reinforce the message; eliminate or minimize clues that get in the way. Packaging of the message and the messenger is important. Understand “Apparent Expertise” – You are only as expert as you appear!

Potential vocal contaminants:

a) Tone
b) Speed
c) Range
d) Volume and projection
e) Relative accent

Speaking is Singing

“Executive Presence”
- Sylvia Ann Hewlett

<table>
<thead>
<tr>
<th>Gravitas</th>
<th>Communication</th>
<th>Appearance</th>
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<tbody>
<tr>
<td>1. Intellectual depth</td>
<td>1. We are always presenting</td>
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<tr>
<td>2. Integrity</td>
<td>2. Positive impression</td>
<td>2. Critical in the short run</td>
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<tr>
<td>3. Handling challenges</td>
<td>3. Attention to emails</td>
<td>3. Put you in play, or…</td>
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<tr>
<td>5. Emotional Intelligence</td>
<td>5. Pacing and white space</td>
<td>5. Minimize distractions</td>
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ESTABLISHING RAPPORT AND TRUST

“Rapport is power” – Anthony Robbins

RAPPORT: relationship; esp., a close or sympathetic relationship; agreement; harmony

If two people or groups have rapport, they have a good relationship in which they are able to understand each other’s ideas or feelings very well.

1. Building legitimate business rapport is a conscious campaign – to proactively establish and sustain fact-based commonality
2. Intentional efforts start at first contact and continue through the end of the engagement – covering the total relationship
3. Building rapport deals actively with barriers and flawed beliefs
4. How others see us v. how we see ourselves (and why we need to be attractive)
5. Questions are a tool to dig for commonality
6. Awareness and use of appropriate ‘Matching & Mirroring’
7. Six tips for building rapport
   a) Do our homework
   b) Ask questions
   c) Express the benefit to them in their terms - constantly
   d) Be courteous
   e) Be authentic
   f) Be fully present

BEING PRESENT: 4 QUESTIONS

“The Charge” – Brendon Burchard

1. How present am I right now on a scale of 1 to 10?
2. What can I do right now to raise my score?
3. How present are others I’m trying to influence right now on a scale of 1 to 10?
4. What can I do right now to raise their score?
“NEVER UNDERESTIMATE THE PULL OF CONTEXT”

- Malcolm Gladwell “Tipping Point”

THE PULL OF MACRO CONTEXT

HIGH

LOW

HUMAN ABILITY to PERFORM

Skills
Interest
Time
Support

ENVIRONMENTAL FACTORS

Leadership
Culture
Industry Norms
Policies, Laws, Regulations
Hard Controls
Infrastructure
Beliefs

ATTRIBUTES OF YOUR ENVIRONMENT
THE PULL OF MICRO CONTEXT

Actively addressing their Point of View is essential because people will always try to fit new data into their existing framework. If it does not fit exactly, we all ‘approximate’.

Understanding and Using ‘POINT OF VIEW’ (POV)

**Step One** – Bring precision and clarity to our own POV

**Step Two** – Immerse yourself in the other person’s POV

**Step Three** – Identify commonalities in POV (*Joint Fact Finding*)

**Step Four** – Prepare for discussions from the other person’s POV

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**LET’S PRACTICE**

Person Interviewed: ___________________________________________________

Interview Purpose: ___________________________________________________

_________________________________________________

**PART 1** – POV You:

**PART 2** – POV Them:

**PART 3** – POV Us:
FRAMING, SEEDING AND ANCHORING

1. In every communication moment, we 'seed' the thinking of others
   a) Include relevant background information on the audit and audit team
   b) Constantly reinforce Purpose

2. Copying _____________   _______________ progress
   a) Develop, refine and tell ‘Springboard Stories'
   b) Teach ‘Bright Spots’
   c) Avoid ‘The Curse of Knowledge’
   d) Use ‘Explicit Communication’
   e) Emphasize ‘Precision and Clarity’
   f) Anchor every conversation

THE IMPORTANCE OF ANCHORING

WHY WE DO IT  HOW WE DO IT  WHAT WE DO

It’s not their job to know what to expect from us.

We need to tell them how to think about us and our work.

Tell them how our work benefits them.
WHY BEFORE WHAT AND HOW

People don’t buy what you do, they buy why you do it.
-- Simon Sinek

YOUR NOTES / INTENTIONS / ACTIONS:

Simon Sinek has a simple but powerful model for inspirational leadership -- starting with a golden circle and the question, "Why?" His examples include Apple, Martin Luther King Jr., and the Wright brothers...
DESCRIPTING THE ‘PURPOSE’ OF THE AUDIT

Defining purpose answers the question: Why?

Listen to the instructions before starting this exercise:

1. “The Purpose of this audit project is:

2. “The way we do this is:

3. “One benefit to you is:

4. “For Example:

5. State your personal ‘Purpose’:

   “The main reason I choose to work in this organization is:

   “For Example:

6. If appropriate, state the authority for your work

7. “Now, here’s what’s going to happen (agenda)


P_______ then B_______ then E_______
VARIABLES TO CONSIDER

1. **Personal Motivation**
   - _____ a) Do they enjoy their present behavior?
   - _____ b) Do they want to do it?
   - _____ c) Do they have to do it?

2. **Personal Ability**
   - _____ a) Can they do it?
   - _____ b) Do they have the skills, talent and understanding of the ‘vital behaviors’?
   - _____ c) Will they experience success in the first move?

3. **Social Motivation**
   - _____ a) Do others encourage them to enact better behaviors?
   - _____ b) What is the norm from peers?
   - _____ c) What is the norm from supervisors?

4. **Social Ability**
   - _____ a) Do others enable their current behavior?
   - _____ b) Is there hope and support in their peer group?

5. **Structural Motivation**
   - _____ a) Is their present behavior rewarded or otherwise encouraged by the organization?

6. **Structural Ability and Support**
   - _____ a) Does their environment enable them?
   - _____ b) Does their environment discourage them?
**BETTER! COMMUNICATIONS**

Pages 3 & 9: Copying _______ _______ _______ progress

Page 9: Master Business Communicators:

a) Develop, refine and tell ‘Springboard Stories’

b) Teach ‘Bright Spots’

c) Avoid ‘The Curse of Knowledge’

d) Use ‘Explicit Communication’

e) Emphasize ‘Precision and Clarity’

f) Anchor every conversation

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**POP QUIZ**

You are an audit team leader on a project involving tests of processing, completeness and accuracy controls in your organization’s centralized cash disbursements center. During the kickoff meeting on the first morning of the fieldwork portion of the audit, you ask the managers present if there are any specific areas of concern that you might address if time permits. The subsequent discussion reveals the following three issues. How would you respond to each?

A. In the opinion of one manager, the amount of paperwork and resulting cost involved in processing small dollar transactions probably exceeds the amount of the transaction itself. He asks, "Isn't there a better way to do this? What are other organizations doing?"

B. A second manager mentions that he heard a rumor about a fraud in another division involving the use of fictitious documents to initiate disbursements to non-existent payees. He asks, "What can we do here to prevent this from happening to us?"
**BETTER! LISTENING AND INTERVIEWING**

“Auditor” literally means *one who listens*. Individual and group interviews are a core step for gathering information and sharing ideas during review and audit projects.

An interview is:

- A face to face communication
- Between two people
- Initiated for a specific purpose
- Focused on a specific content area

Interviewing is a **core competency** for professional reviewers and auditors at all levels – a skill to be practiced, refined and mastered.

Even reviewers and auditors with minimal experience have opportunities from day one to use and refine their interviewing and listening skills.

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**GROUP DISCUSSION QUESTIONS**

1. Drawing from your past interviewing experiences, please provide an example of a great interview, and explain why you remember this interview as great?

2. You have an interview on Tuesday morning at 10 AM with Pat Jones. Pat’s a 25-year employee and the head of procurement. You asked for this 30-minute meeting to discuss audit testing that showed that 14 suppliers had been added to the vendor master file without the prerequisite support documentation or any indication that the suppliers had been properly vetted. All of these suppliers were ‘sole source’.

   When this meeting begins, what will you say to ‘anchor’ the meeting? Write it down. Please be specific.

3. Later that same day, you have an interview with the regional vice president of finance regarding concerns identified during your regular SOX testing. List an example of an audit finding that might come up during this testing. How would you start this meeting? Be specific
INTERVIEWING CONSIDERATIONS

IDEAS ARE SOLD DURING INTERVIEWS AND DISCUSSIONS

Key issues to consider:

1. The questions we ask, how we ask them and types of things we specifically ask about will influence their thinking, their reactions and maybe their behavior

2. Our questions tell them what we think is important

   Examples:
   a) How do you ensure you comply with…
   b) How do your supervisors know if…
   c) How do you monitor…
   d) Do you receive the right information to know if…
   e) What do you consider when you approve…
   f) In your opinion, what causes…

3. We ask. They talk. We listen.

4. Predict responses and script what to do next

   a) Open-ended questions
   b) Statement of your belief or experience
   c) Restatement
   d) Hypothesis about the next layer of the issue

5. Dealing with resistance: pick up on it – name it – wait for response

6. Understand the need for ideas to be actionable

7. Include the organization’s behavioral norms in your observations

   a) How open are the people being interviewed?
   b) Are they afraid of you?
   c) How does a member of the group deal with issues like conflict, resource problems, or failures of other groups to support their objectives?
   d) Get aware of history and folklore attached to the issue being examined

8. Plan the place, length, tone and any other controllable aspects

9. Script important points, questions and reminders

10. Summarize important conclusions and feelings immediately after the interview
DURING INFLUENCE INTERVIEWS

UNDERLYING STRUCTURE

Why = > Solutions   How = Collaboration   What => Action

SUGGESTED ACTIONS

1. Give less advice than anyone else.
2. Ask, don't tell. The answer depends entirely upon the question being asked.
3. Stay out of the details.
4. Don't rush others to action.
5. Don't tell others what to think. Tell them what to think about.
6. Help them think differently.
7. Use questions to lead. Use the word ‘thinking’. “What do you want to become?”

Ask
Ask about Problems    Ask about Solutions

Problems
Tell them Problems

Solutions
Tell them Solutions

Tell

LET’S PRACTICE

Select an issue on a recent audit. Prepare for a three-minute discussion of that issue with the ‘auditee’ you are trying to influence.
**BETTER! SPEAKING AND PRESENTING**

"TELL ME ABOUT ME"

It’s all about them. Always.
When we think it’s about our meeting, idea, point or agenda, we’re wrong.

Even when we’re absolutely certain that it’s about our issue – we’re still wrong.

1. Every time we come “in contact” during an audit, a presentation occurs. Every audit discussion is a presentation.
2. People are going to judge us when we present.
3. Know and state your purpose. Too often, business presentations don’t achieve their intended purpose.
4. Break down the presentation process – from concept, to planning, to delivery, to feedback and analysis. Objectively examine the quality of your presentation at each phase. Find opportunities to improve at each phase.
5. Visualize the presentation. Listen to your voice. Watch your behavior.
6. Get meaningful feedback. It can hurt and it can help.
9. Know the setting.
10. If there is something you don’t want them to think about, don’t say it.
11. During presentations, things will most definitely go wrong.
12. The Four E’s:

**FEW ARE GOOD ENOUGH TO PRESENT WITHOUT SOME KIND OF NOTES.**

**BUT NEVER FORGET – THE TOOLS AREN’T THE PRESENTATION.**

**YOU ARE THE PRESENTATION.**
SELLING IMPROVEMENT IDEAS & GETTING ACTION

“Everyone sells their ideas every time they open their mouths – so why not get good at it”

- Bill Gove

1. Selling implies that there is something to sell.
2. Selling implies we know how to sell.
3. Selling requires an interested buyer.
4. Selling implies that the buyer will in fact buy.
5. Potential buyers don’t buy for many reasons. Most of these reasons can be anticipated.
6. Sellers can plan how to handle barriers to the sale.
7. The sale is only closed when the buyer takes action.
8. People tend to resist change that is forced on them, and they often mask that resistance in one or more of the following excuses:
   a) That’s the way we’ve always done it.
   b) What if I’m not as good at my job if I try the new idea?
   c) What if it doesn’t work? I’ll look silly for trying.
   d) The benefits don’t exceed the costs.
   e) I’m not clear on what I’m supposed to do.
   f) I don’t know how to do that.
   g) I just don’t want to.

DISCUSSION QUESTIONS

1. List one ‘change’ you know you need to make in your work or behavior to operate at the highest level every day.

2. What’s the real reason you haven’t made this change so far?
12-STEP CHECKLIST FOR SELLING AUDIT IDEAS
"People love to buy but to be sold"

1. Surface issues and determine causes
2. Ask for dedicated time to discuss
3. Anchor the discussion
4. Ask (again!) for permission to discuss
5. Present the issue and support
6. Get agreement that the issue is an issue
7. Get agreement on the real causes
8. Ask them for solutions
9. Offer suggestions only when asked
    - From collected bright spots
    - Delivered using Third-Manning
10. Prepare for and diffuse objections
11. Get firm commitment
12. Provide Sincere Positive Reinforcement

Appreciation: I really appreciate the time you set aside for this meeting.
Validation: I can see you’ve given this issue a lot of thought and attention.
Recognition: It’s clear you are a well-respected thought leader on this.
Confirmation: I’m relieved that you took on this issue. It’s a great match with your expertise.
Thanking: Thanks for taking the time to focus 100% on this project.
ROOT CAUSE ANALYSIS

1. What is Root Cause Analysis?
   • Term used to refer to structured problem solving within organizations

2. What is the relevance to the routine audit process?
   • Observations target events that do not conform to desired outcomes.
   • When these events or incidents are identified, the underlying root cause must be identified as well for corrective action to be initiated

3. What general categories of “cause” should be considered?
   • The cause and its solution usually resides in the related business process, in the human performance or oversight component of that business process, or both
   • Among the causes of issues are:
     ✓ Faulty design
     ✓ Hard control failure
     ✓ Soft control failure
     ✓ Change
     ✓ Natural and man-made barriers
     ✓ Cause and effect from factors beyond the manager’s control

4. Who is in the best position to identify the true cause of issues?
   • The managers and employees on site are usually in the best position to identify the important factors causing the issue

5. What should auditors do to facilitate the Root Cause Analysis process?
   • Auditors interested in moving managers to effective action should identify exactly what managers want from the problem remediation process.
   • One large-scale study of problem solving activity in business identified five specific outcomes desired by managers. Those managers wanted to know:
     a. What happened
     b. What were the root causes of the problem
     c. What options are available that will deal with the problem
     d. What is the cost of acting upon each of the available options
     e. Which decision options will provide the most cost-effective solution
LEADERSHIP, COLLABORATION, AND INFLUENCE

We are here to make a difference – in our work and in those we serve in that work

1. This is the moment where preparation and opportunity meet
2. There is a massive need for your help
3. Leadership, collaboration and influence all stem from empowerment of others
4. The importance ‘giving permission’
5. We facilitate their own efforts to fix their own issues
6. Help them make common sense common practice
7. Preach outcomes constantly
8. Remember - you have a personal brand (a ‘promise delivered’)
   a) The one thing you do better than anyone else
   b) Define it – work it – make sure others know about it
   c) Verbalize your commitment
9. The best marketing of self and team is being the absolute best at what you do
10. Make the client’s story and your story one and the same
11. Those you audit – need you to lead them
12. Rededication to fundamentals leads to next level performance
13. Beware: If you take the lid off, you won’t want to go back

Leadership is about fitting the right approach to the right context, with the right people involved, to get the right things done.

- Brendon Burchard
SUMMARY: FRAMEWORK FOR BETTER! INFLUENCE

REQUIRED FOR US TO INFLUENCE OTHERS
1. Attitude (Willingness to teach others…to think Better!)
2. Position
3. Relationship
4. Respect / trust (two way)
5. Commitment (including sustained energy)
6. Flexibility (beliefs, attitudes, words, actions)
7. Feedback
8. Model
9. Release

BEFORE INFLUENCE OPPORTUNITIES
1. Establish credibility (expertise and/or relationships)
2. Pre-frame and Seed Common Ground
3. Build courage and authenticity behaviors
4. Collect Bright Spots
5. Learn Joint-Fact Finding techniques

DURING INFLUENCE OPPORTUNITIES
1. Ask Permission – Degree varies with familiarity / roles / comfort
2. Speak intentionally
3. Anchor the conversation: define exactly where you are and why, and what’s about to happen Help them focus, regardless of their unique point of view.
4. Use ‘Third-Manning’ Techniques
5. Provide evidence
6. Connect emotionally
7. Avoid hot spots
8. Take small steps – celebrate all wins
9. Provide positive reinforcement
**BETTER! INTERNAL CONSULTING SKILLS**

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**THEY ASK FOR YOUR IDEAS AND OPINIONS**

**BLENDING CONSULTING CONCEPTS INTO THE AUDIT PROJECT**

1. Focus on incorporating the consulting skills and techniques discussed in this seminar in routine audit assignments.

2. Example opportunities include:
   
   a) Informal instruction on the purpose of standard control procedures
   b) Passing along best practices observed on other
   c) Their biggest challenge in their organization, department or personal responsibility areas
   d) The organization’s most common complaints
   e) Concerns and frustrations expressed by auditee managers and staff
   f) Safety, security and efficiency issues
   g) Full scope audits aimed at operational or process improvement
   h) Follow-up comments and satisfaction survey results from recent projects
   i) Review / audit of third-party relationships
   j) Internal issues facing the audit department

3. Make a soft offer during planning or at the kickoff meeting / entrance conference, and be prepared for resistance or outright rejection.

**DISCUSSION QUESTION**

List two potential opportunities you’re aware of right now for the audit team to provide ‘internal consulting’ services. Be specific. Start with, “They need…. We could…”
POV PREPARATION BLUEPRINT

1. ISSUE:

2. YOUR POV:

3. REAL CAUSE:

4. RECOMMENDATION:

5. THEIR POV:

6. THE BENEFIT TO THEM:

7. THEIR ANTICIPATED OR STATED OBJECTION:

8. REVISED RECOMMENDATION: