



Seven Essential Assets of Top Audit Executives

By Richard Chambers, CIA, CGAP, CCSA

As president of The Institute of Internal Auditors (IIA), I often am asked about what it takes to build a world-class internal audit activity. And when I respond by sharing what I've seen during my more than 30 years of experience in the field, it is not uncommon to discover the real question on the mind of the inquirer: "What attributes must I have to become a sought-after chief audit executive (CAE)?"

Over the years, I've made a mental list of critically important assets displayed by the very best CAEs. Interestingly enough, the results of a recent study conducted by The IIA's Audit Executive Center and The Korn/Ferry Institute virtually mirror my list. This qualifies and affirms my belief that the following seven personal attributes are, indeed, essential to top CAE performance, leadership, effectiveness, and success.

Attribute #1: Superior Business Acumen

Today's business arena is a veritable sea of change, and CAEs must be able to swim in sometimes-turbulent waters to ensure they help keep the organization and the internal audit team they lead afloat. This means they must have an in-depth understanding of the company's business, culture, goals, and challenges; and the foresight and ability to anticipate the implications and consequences of business decisions. In addition, they must know how to best utilize resources for the greatest benefit. In essence, the best CAE must be an excellent business person and a model of strong leadership.

Attribute #2: Dynamic Communication Skills

Few roles within an organization call for better skills in communicating than does that of the chief audit executive. To be an

effective CAE, an individual must be an attentive listener, an influential presenter, and a knowledgeable and credible reporter, in whom executive management and the audit committee will have confidence. From writing clear and concise reports to making presentations and recommendations to management and the board, the best CAEs exemplify the fine art of communication, and pay it forward by mentoring those they supervise. They demonstrate their value each and every day—not just in times of crisis.

Attribute #3: Unflinching Integrity and Ethics

Above reproach, top CAEs are known and depended on for their integrity and deep and abiding ethics. They are schooled in recognizing red flags and questionable behavior, and apply their independence and objectivity, as they delve deeply in search of truth. An example of this is Cynthia Cooper, past vice president at WorldCom, who adhered to her own ethical code to do the right thing under duress. Eventually, Cooper blew the whistle on the largest financial fraud in U.S. history.

Attribute #4: Breadth of Experience

Many modern-day CAEs have a track record that includes serving in diverse roles in different industries. Such experience provides an in-depth understanding of the challenges, opportunities, and risks business units face, and prepares a CAE to be a strong leader with a holistic view of business. Broad experience helps ensure that a CAE not only has a big-picture enterprise-wide perspective on risk management, operations risk, compliance issues, and financial reporting; but also possesses an understanding of the potential these

risks have to make an impact on the organization and its success.

Attribute #5: Excellent Grasp of Business Risks

As changes continue to occur throughout organizations, so do the risks. The best CAEs have the vision to anticipate those risks—not from a single myopic point of view, but from an enterprise-wide perspective—and the expertise to provide strategic consultation to the audit committee. When the CAE is accessed as a partner in transformational activities, the company can get it right on the front end, rather than waiting for internal auditing to identify the needed improvements later.

Attribute #6: Gift for Developing Talent

In the past, there was a lot of mystery around internal auditing, and many of those entering the workforce did not have a clear understanding or appreciation of internal auditors' roles in an organization. After the rash of high-profile corporate frauds during the past decade, however, followed by passage of the U.S. Sarbanes-Oxley Act of 2002 (SOX), internal auditing suddenly took center stage and interest in the profession, as well as a demand for talent, escalated dramatically.

Today—even though the public has a better understanding of the internal audit profession than prior to SOX, some CAEs are still challenged to build strong teams that possess the appropriate skill sets for optimal success. The best CAEs, however, have an infectious enthusiasm for the profession, a passion for efficiency and effectiveness, and insight and discernment required to recognize raw talent from which the requisite traits can evolve with appropriate guidance, training, and mentoring.

Currently, more of those at the top appear to like the idea of rotating professionals into internal auditing from other areas of the organization. This practice helps ensure a broader, more integrated understanding of the operations of the business. Then, when an individual who is armed with diverse experience and knowledge reaches the level of chief audit executive, he or she is well prepared and confident to take a seat in the boardroom—face to face with the audit committee.

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Attribute # 7: Unwavering Courage

Internal auditing is not for the faint of heart; it requires courage—real courage. Doing the right thing is not always easy, especially when pressured by circumstance and those holding the power. And yet, having courage is one of a CAE's highest callings. Additionally, CAEs sometimes must stand alone as

they confront, assess, and help protect stakeholders from myriad risks and obstacles.

Top CAEs have the courage of their convictions, the courage to call it as they see it, and the courage to step out and step up with a proactive approach to both existing and anticipated risks. And they must have sound judgment on how to confront these risks. They and the value they bring are integral to their organization's decisions, their executive management's knowledge, and their audit committee's confidence and peace of mind.

Clearly, the attributes modeled by the most effective CAEs mirror those of all sought-after employees and leaders. And yet, the stakes are infinitely higher when it comes to the responsibilities of a chief audit executive. The assets a superb CAE brings to a company essentially can make the difference between the organization's success and failure.

Courageous individuals of the highest integrity who bring to their posts a broad background of rich and diverse experience, keen business insights and understanding, the ability to communicate with and relate to all levels at the organization, and the interest and skills to lead, mentor, and develop others are, indeed, ideal for the position of chief audit executive. **NP**

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Richard F. Chambers, CIA, CGAP, CCSA, President and CEO heads The IIA Global Headquarters' leadership team in developing the global business infrastructure and framework that supports The IIA's 96 institutes all around the world, and advances the organization's strategic priorities. He initiates partnerships with other global groups, works to ensure internal audit competencies are globally consistent, and the International Standards for the Professional Practice of Internal Auditing are globally recognized and embraced. Among his many areas of focus is his commitment to chief audit executives around the world. Under his direction, The Institute has enhanced and launched new services to address urgent needs facing CAEs and has substantially increased the caliber of timely internal audit thought leadership. You may reach Richard at 1-407-937-1100.

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