Stakeholder Relationship Management by Internal Audit

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Content

- Stakeholder relationship management
- Relevant IPPF elements
- Integrated thinking and reporting
- Obstacles and enablers
- Internal audit stakeholder analysis
- Unaligned interests and baseline setting (Stakeholders vs The Organisation)
- IA strategy, stakeholder engagement plan and audit universe
- Maturity assessment
- Stakeholder’s perspective
What is a stakeholder?

Any individual, group or organisation that can affect, be affected by, or perceive itself to be affected by a process, project, activity or programme.
Who are Internal Audit Stakeholders?

**Internal**
- Internal Assurance Providers
  - Executive Management
  - Process Owners
  - Committees & Other Formations

**Connected**
- Governing Body
- Committees of the Governing Body
- Objective Assurance Providers

**External**
- Professional Bodies
- Regulatory Bodies
- Shareholders
- Communities
- Civil Society Formations
The process of forming, monitoring and maintaining constructive relationships with all stakeholders by influencing and leveraging their expectations of gain which results from the efforts they invest in governance, risk management and control processes.
Stakeholder Relationship Management

Build bridges and take down the walls of defence

- Implement an integrated, systemic and pro-active process for obtaining stakeholder feedback
- Break the cycle of demonization and finger-pointing
- Encourage a culture of listening and communicating with humility
- Build trust between those with different views
**Core Principles**

**CP 4**
Aligns with the strategies, objectives, and risks of the organisation

**CP 7**
Communicates effectively

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**ISPPIA**

**Standard 1111**

**Standard 2010**

**Standard 2020**

**Standard 2050**

**Standard 2060**

**Standard 2400**

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**Definition of IA**
- Improve organisational processes
- Value Creation & Preservation

**Mission of IA**

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**Code of Ethics**

- Integrity
- Objectivity
- Confidentiality
- Competency

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**Relevant IPPF Elements**

CAE Masterclass
Integrated Thinking & Reporting

- Human Resources
- Supply Chain
- Operations
- Finance
- Marketing
- Public Relations
- Quality Assurance
- Information & Technology
- Risk Management
- Legal & Compliance
- Security

Value-creating & Conversion

- Financial
- Manufactured
- Human
- Intellectual
- Social & Relationship
- Natural

CAE Masterclass

Products

Services

Economy

Society

Environment

Monitoring & Reporting

Entity-level

Process-level
Politics of power

Incompetence

Unmanaged perceptions

Fear

Unstated assumptions

Lack of Commitment

Narcissistic tendencies

Ineffective leadership

Deception

Intolerance

Poor communication

Interference

Cumulative planning

Lack of Commitment

Obstacles (IA & Stakeholders)
Enablers (IA & Stakeholders)

- Empathy & fairness
- Preparedness
- Empathy & fairness
- Unquestionable competence
- Reliability & Trustworthiness
- Transformative planning
- Strategic alignment
- Inclusivity & support
- Genuine confidence
- Consultation
Stakeholder Analysis

- **Identify the relevant information for each stakeholder:** this includes things like their particular interest, their role, their level of authority (position), needs, and expectations in the organisation’s GRC process.

- **Identify the potential impact or support of each stakeholder:** this can be simple like using two measures low and high.

- **Assess how key stakeholders are likely to react to various situations:** another measure like low sensitivity or high sensitivity.
Stakeholder Analysis

- Manage Closely
- Keep Satisfied
- Monitor (Require minimum effort)
- Keep Informed

Power

Interest

High

Low
## Stakeholder Analysis Matrix

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Impact</th>
<th>Power</th>
<th>Major Interests/Concerns</th>
<th>How can this Stakeholder block progress?</th>
<th>Stakeholder Engagement Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board or Accounting/Executive Authority</td>
<td>L</td>
<td>H</td>
<td>Value creation, preservation and realisation.</td>
<td>By treating GRC as a low-priority area.</td>
<td>Make GRC part of the board induction programme and present high-impact reports</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>H</td>
<td>H</td>
<td>Effective assurance and reliable financial reporting.</td>
<td>By focusing mainly or exclusively on external audit.</td>
<td>Show the value of internal operating controls in internal audit plan and reports</td>
</tr>
<tr>
<td>ExCo</td>
<td>H</td>
<td>L</td>
<td>Effective strategy implementation and achievement of performance scorecards.</td>
<td>By suppressing internal audit reports.</td>
<td>Influence development of key performance areas, measures and indicators for executive management</td>
</tr>
<tr>
<td>Management</td>
<td>L</td>
<td>L</td>
<td>Management of process-level risks and achievement of programme and project objectives and goals.</td>
<td>By pushing back against internal audit findings.</td>
<td>Provision of internal audit consulting engagements in areas where management does not have technical capability to address GRC deficiencies.</td>
</tr>
</tbody>
</table>
Unaligned Interests and Baseline Setting
Aligning Stakeholder’s Interests to Organisational Interests

Organisation

Mandate | Vision | Mission | Values | Operating Model

Aligned Stakeholder Interests

Risks | Opportunities
Causes for Unaligned Interests

- Placing personal interests above those of the organisation
- Poor tone from the top and lack of strategic direction
- Unmanageable, difficult personalities
- Inadequate policies (to support strategy implementation)
- Poorly planned/performed governance and strategy audits or non-performance of such audits
- Lack of consequence management
- Under-prepared internal audit shops
- Silo approach to planning, execution and reporting
IA Strategy

Vision
Mission
Objectives
Values
Stakeholder Engagement Approach
SWOT
Performance Management

3 Year Coverage Plan
Annual Internal Audit Plan

Internal Audit Universe & Stakeholder’s Interests

Specific Engagement Plans
Stakeholder Relationship Maturity Assessment

**Ad-hoc**
- Minimal use of stakeholder processes
- Processes and tools are in place

**Procedural**
- Mutual benefits are understood by both sides

**Relational**
- Methodology repeatable and embedded throughout the process

**Integrated**
- Shared vision, expectations and collective innovative solutions

**Collaborative**
Stakeholder’s Perspective

- Exhibit strong business acumen, including knowledge of the industry, the ability to understand business strategy, and the insight on external environment factors.

- Demonstrate leadership skills, technical competence, innovation, and relational competence with audit staff and stakeholders.

- Manage competing priorities, demands, and conflicts within the organisation, including communication with all areas of the organisation with objectivity and integrity.
Stakeholder’s Perspective

- **Leadership** – holding and demonstrating the vision for the internal audit function and the organisation as a whole.

- **Forward thinking** – a strategic outlook, “audacious in understanding challenges and issues,” and not the mind-set of a risk watchdog.

- **Sound judgment** – in-depth knowledge, critical thinking, and the ability to assess very quickly the depth and importance of issues.

- **Flexibility** – quick thinking, a trouble-shooter, adaptable.

- **Balance** – demonstrating a blend of general and specialized knowledge.
Building Sustainable relationships

Thank You