



Quality Issues in Complex Multicultural Groups

Track E



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What about a” Multicultural Group” ?

- Origin of a multicultural group:
 - acquisition- generally paid by cash
 - aggregation through mergers- mainly exchange of securities





In the first case different managerial approaches but...

- Quick change management is common
- The buyer is normally well provided of trusted management
- Strong initial impact on organizational/cultural change
- Immediately after landing the group incorporates the culture of the acquirer





In the second case

- Change management process is more complex
- Aim to mix different cultures and approaches
- Everyone feels to be a best practice
- Many “good practices” but impossible to define the real “best one” also due to organizational and investment constraints
- If people involved act in good faith, the final result is not perfect but multicultural





What about “quality issues” ?

- How can we define quality?
- Search for quality in each phase of audit process:
 - Risk assessment
 - Planning
 - Execution
 - Reporting
- Are we self referential ?





What about “quality issues” ?

RISK ASSESSMENT:

- Same vision of risks? Different risks in different environments
- Risk Approach
- Size of processes involved

EXECUTION:

- Same Audit Techniques?
- Same methodologies
- Sampling
- Programs, results, chck lists, reports?

PLANNING:

- Same audit approach?
Processes, operational units, branches
- Omogeneous Audit Universe
- Guidelines
- Taxonomy

REPORTING:

- Same criteria of findings evaluation?
- Same criteria of findings categorization?
- Same approach in audit tracking?





Role of organization as a basis for quality in a complex group

- Think global and act local approach
- The “one firm concept” in relation to the parent
- Relationship with local and global regulators
- In a complex group each single entity has to be seen as an audit client
- Internal control system is not only an issue of the auditors but needs a strong link among the various levels of risk management





Role of methodology as a driver to quality

- Relevance of sharing methodologies
- If shared and seeded it is the highest quality generator
- To share means also to measure and put together different cultures and as quality generators
- Possible need of support from a facilitator
 - independent
 - objective
 - with adequate knowledge of the rules of the game





Role of monitoring as a generator of quality

- Quick win
- The monitoring of audit activity in a group is of great importance
- Quality is in the hands and in the behaviours of on site auditors
- Continuous improvement in monitoring generates additional managerial interest about audit activity
- Also through monitoring, on site auditors are pushed to quality





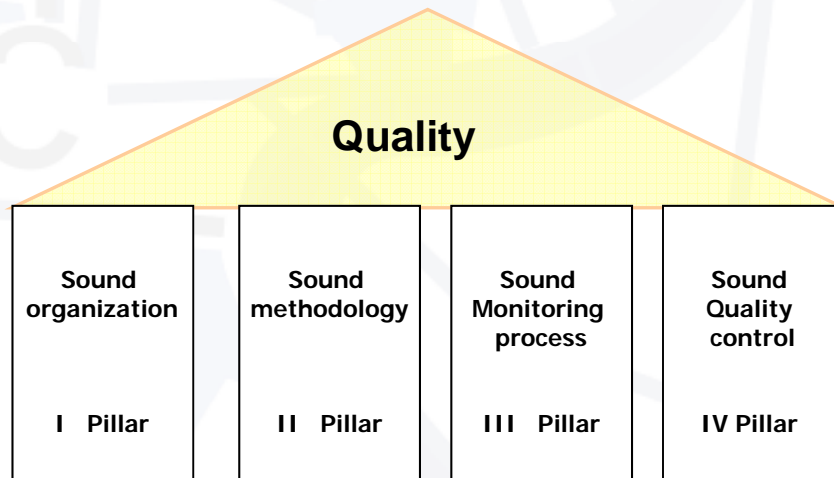
Quality control as an assurance of quality

- Quality control as a part of quality assurance (peer review)
- International team managed by champions and supported by on site audit and methodology
- Clear definition of the scope
 - adherence to group standards
 - quality of working papers
 - quali/quantitative KPIs (timing, planning)
 - reporting quality
 - relevance of findings
 - acceptance of findings
 - dealing with other actors of the internal control system
- and tools (ie. questionnaires)





Seen from the Cae perspective



Good audit on site

- Multiculture, even if managerially complex, is an asset on which leveraging
- All people are involved through their day by day activity
- All units have a real role in quality





And Stakeholders perspective?

But... which is the interest of the stakeholders above the Cae ?:

- Governance bodies
 - Management
 - Regulators
-
- The very delicate task is to develop on one side KPIs for the various stakeholders and on the other side customer satisfaction reports





Some questions

- Who is interested in KPIs' measurement?
- And who is responsible to develop them?
- Who provides the benchmark?
(KPIs without a benchmark mean a great effort in term of data collection, workflow of information (investment) with low practical results)
- If management is interested to a sort of cost/income ratio, cost is easy to be computed but which is income of audit ?
 - only reduction of operational cost ?
 - or also quality of professional information delivered to management?
 - other effectiveness metrics?
- How can be measured customer satisfaction of internal audit ?





Some answers

In a very complex multicultural group:

- Strong attention to the stream of information with other actors of the internal control system (risk mgt, compliance) in order to become together a committed part of the evaluation of the system itself for the benefit of the shareholders, the board and the regulators
- Strong commitment within the IA Association to define benchmarks for KPIs, participating to an active working group
- Strong commitment to the implementation of coherent critical findings throughout the group in order to allow management and board to understand the quality of remedial actions carried on by local management
- The information collected on a global basis via the auditors reports increase the knowledge of top management and board members on the most critical issues
- Requests of the remedial actions is becoming more and more stringent
- Last but not least also the attention of management on the effects of operational risk is becoming more tough





Final Considerations

