

Reporting to Management and Audit Committee

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Virtual CPE Meeting on Internal Audit (Practical Internal Auditing for success)-I
Wirc, ICAI

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Disclaimer



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Some of the situations that I mention may or may not be true and the identities of any parties involved have been disguised.

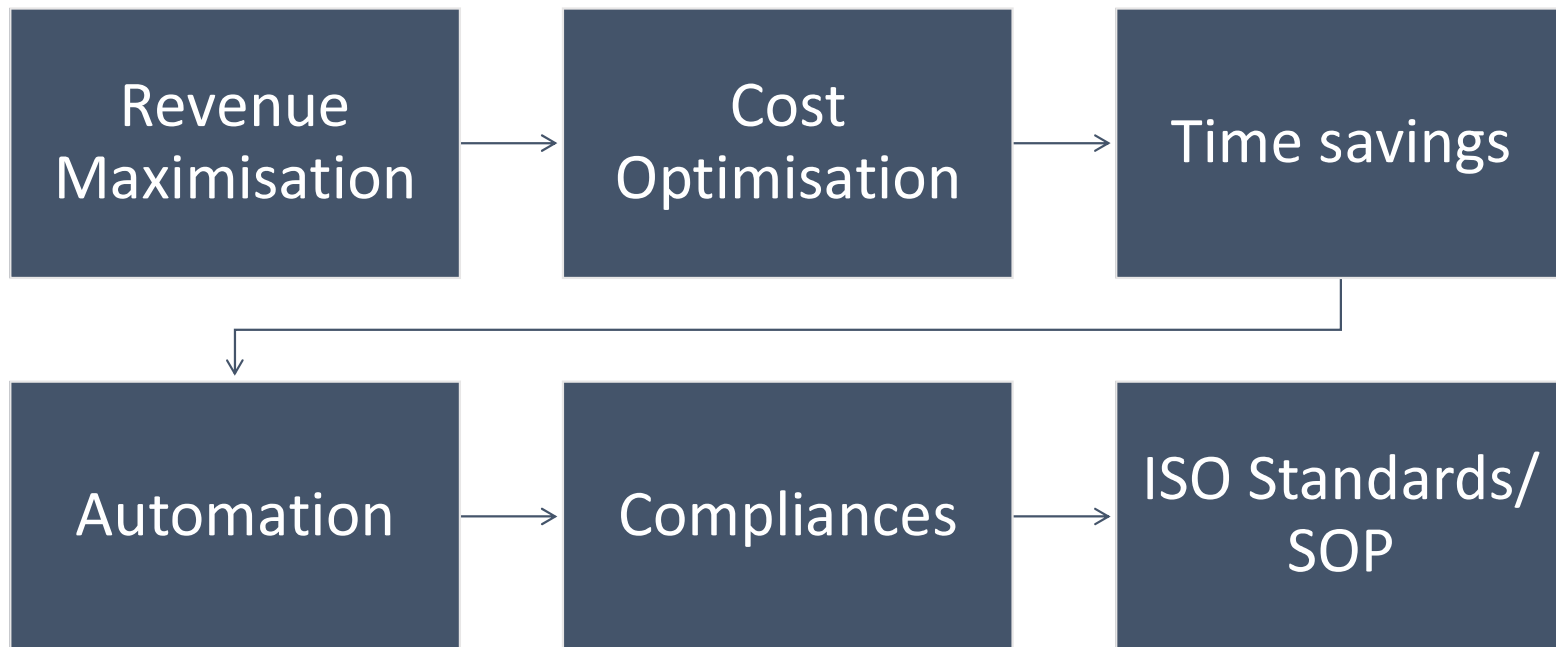


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What does management want

Value Add

What is value add?



What does Audit Committee Wants

No Surprise

What does no surprise means?

Assurance

Compliances

Benchmarking

Fraud prevention/
detection

Any thing which
can create
problem to
directors.

How often to report?

As much as possible

- A yearly report on what you have done.
 - Budget vs Actual work
 - Time/ Audits/ Assignments/ Others
 - Value added
 - Revenue Maximisation
 - Cost Optimisation
 - Time savings
 - Automation
 - Compliances
 - ISO Standards/ SOP
 - Assurance
 - Compliances
 - Benchmarking
 - Fraud prevention/ detection



A yearly
report on
what you
have done.

Influence:
Science
and
Practice

Reciprocation

Commitment and consistency

Social Proof

Liking

Authority

Scarcity

Reciprocation

- People generally feel obliged to return favors offered to them. This trait is embodied in all human cultures and is one of the human characteristics that allow us to live as a society.
- Compliance professionals often play on this trait by offering a small gift to potential customers. Studies have shown that even if the gift is unwanted, it will influence the recipient to reciprocate.
- A variation on this theme, known as the "door-in-the-face technique", is to ask for a particularly big favor. When this is turned down, a smaller favor is asked for. This is likely to be successful because a concession on one side (the down-scaling of the favor) will be reciprocated by a concession by the other party (agreement to the smaller favor).
- Reciprocation is an application of reciprocity.

Commitment and consistency

- People have a general desire to appear consistent in their behavior. People generally also value consistency in others.
- Compliance professionals can exploit the desire to be consistent by having someone make an initial, often small, commitment, known as the "foot-in-the-door technique". Requests can then be made that are in keeping with this initial commitment.
- People also have a strong desire to stand by commitments made by providing further justification and reasons for supporting them. Compliance professionals exploit this with the so-called "low-ball" technique, where buyers agree to an attractive offer before it is altered to be less favorable to them and more profitable to the seller. This pattern of behavior toward or resulting in a negative outcome is called escalation of commitment.

Social proof

- People generally look to other people similar to themselves when making decisions. This is particularly noticeable in situations of uncertainty or ambiguity.
- This trait has led compliance professionals to provide fake information on what others are doing. Examples of this are staged interviews on television advertisements or "infomercials".

Liking

People are more likely to agree to offers from people whom they like. There are several factors that can influence people to like some people more than others:

- Physical attractiveness can give people a halo effect whereby others are more likely to trust them and to think of them as smarter and more talented.
- People tend to like people who are most like themselves.
- People tend to like those who pay them compliments.
- People who they are forced to cooperate with to achieve a common goal tend to form a trust with those people.
- People tend to like people that make them laugh. For example, many lectures start with a joke.

Any one of the above methods may not help influence people, but used in combination, their effects can be magnified.

Authority

- The Milgram experiment ran by Stanley Milgram provided some of the most stunning insights into how influential authority can be over others.
- People often react in an automated fashion to commands from authority and even to symbols of authority (such as academic degrees, uniforms, expensive cars, etc.), even when their instincts suggest the commands should not be followed.

Scarcity

People tend to want things as they become less available. This has led advertisers to promote goods as "limited availability", or "short time only".

It has also been shown that when information is restricted (such as through censorship), people want the information more and will hold that information in higher regard.

Items are also given a higher value when they were once in high supply but have now become scarce.

Clarification

What did I discuss
that you want to
know more about?



What did I not
cover that you
would like to know?