

THE FIRST 90 DAYS FOR THE NEW CHIEF AUDIT EXECUTIVE

Positioning you for success
2nd edition

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Leading Practices in Audit, Risk & Assurance

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SUMMARY

The first 90 days in any role are fundamental to the success of any executive. Given the inherent expectation gaps around assurance and internal audit’s rapidly changing remit, the first 90 days for the new head of internal audit are even more critical.

KEY POINTS

- Expectations of internal audit and their stakeholders have evolved rapidly and continue to do so.
- While the foundations are still the same, the days of the traditional internal auditor are long gone. This is a competitive, progressive and specialised profession.
- Different organisations need different leaders for different times. Successful executives understand whether each term calls for a change agent, consolidator or safe set of hands. They also understand their own inherent capabilities and either mould themselves to suit or seek organisations where they are best suited.
- Much of the most important groundwork for successful chief audit executives is put in place before their first day on the job, and may start 2-3 months before they are appointed.
- Your first 30 days should be focused on meeting internal customers, consolidating expectations, establishing your baseline and settling your “license to operate”.
- The next 60 days are focused on assessing and enhancing the function’s capabilities – your existing team, service providers and infrastructure. If there are quick wins to be had, now is the time to signal these and implement them.
- The first 90 days are also the times when defining moments are had and first impressions are made. Getting the first 90 days right is the key to building momentum and setting you up for success in your new organisation.
- By the 90 day mark you should have a clear way forward that is agreed, understood and well communicated. This is key to success and longevity.

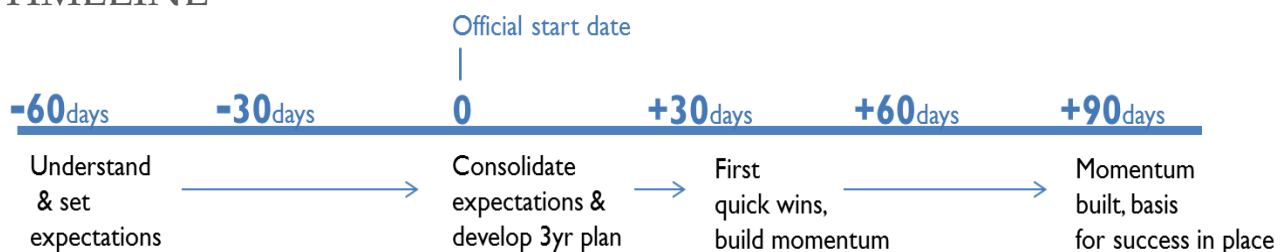
1st interview is where you start positioning

30 days to understand the business

90 days to build momentum

12 months to make your mark

TIMELINE



THE MODERN CHIEF ASSURANCE OFFICER

The relationship and influence between board and Chief Assurance Officers is far closer in Australia than in many other countries. This is a double-edged sword.

The assurance landscape has shifted significantly over the past few years as have the expectations of modern CAOs. This isn't yet settled.

Progressive CAEs stay up to date with leading expectations, good practice and proactively benchmark with their peers.

They also have a network of trusted advisors who can help them stay out in front.

The Australian internal audit landscape remains fairly unique internationally.

While regulators mandated internal audit in the United States this was often associated with Sarbanes Oxley – a regime focused on avoiding financial statement fraud. At the same time Australian regulators were busy mandating Audit Committees, asking them to think about risk holistically and giving them oversight of internal audit.

As Australia's most senior Directors took the reins, it didn't take them long to change the face of internal audit in Australia.

Whereas internal audit had traditionally been a small part of the CFO's team, in Australia internal audit has become an extension of the Chief Executive and the Board. It was asked to think about risk more broadly, expand its skillset and sharpen its work.

Today's Chief Assurance Officers (also known as Chief Audit Executives, CAEs, CAOs or Heads of Internal Audit) must be able to communicate exceptionally well and hold their own with Australia's leading directors, on their terms, in their boardrooms. They must have a much broader view than that of internal audit's traditional base.

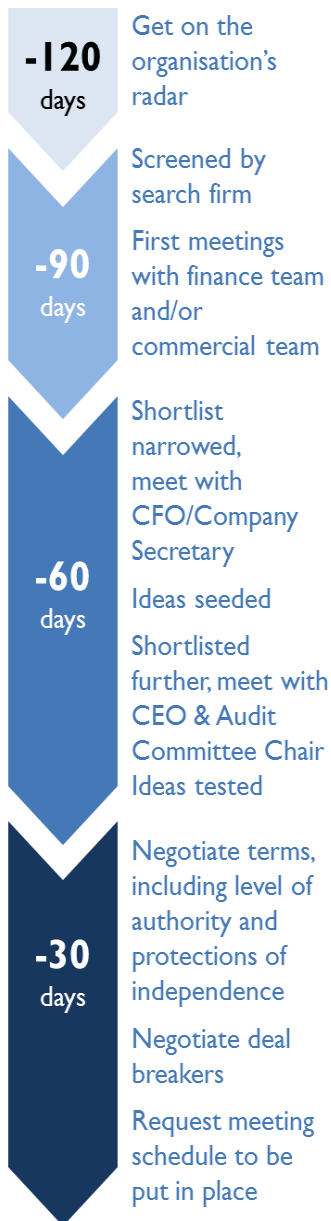
In addition to strong financial skills, they are also expected to be well rounded with a strategic view as well as a strong sense of operational risk and commercial imperatives.

They must be able to partner with the CEO and CFO while also holding them to account – building bridges with them and also within the business at the same time. This is no easy feat.

This guide provides some thought starters based on our experience in working with and supporting dozens of Australia's leading Chief Assurance Officers, Chief Risk Officers and Audit and Risk Committees.

Our work is focused on helping risk and assurance leaders to realise the full potential of their craft for profound impact. We hope this paper helps you to focus your thoughts on your own journey.

We've included a few ideas on how we can help, but we're happy to shape what we do to help you. If you need assistance at any stage, please don't hesitate to reach out. First chat is free.



First Day

Inductions and start stakeholder meetings

IT BEGINS DURING THE SEARCH PROCESS

Today it's almost a given that a new executive will start with at least a strawman of their plan for the first 90 days in the job, but it is a misnomer to think that the plan starts on day one.

The reality is that the current generation of leading CAEs are already gearing up as many as 60 days **before** their first day on the job.

By the time they arrive they have:

- Tested their boundaries and confirmed their remit with key stakeholders (CFO, CEO, Audit Committee Chair)
- Begun to assess, align and manage expectations
- Negotiated terms of appointment not only for themselves, but for the function they are going to lead to ensure it is positioned for success (reporting lines, sponsorship, hiring & firing, budget, scope and protocols)
- Got a good sense of what the organisation needs (change agent, consolidator or safe set of hands) and how they can prepare
- Validated some of the ideas in their 90 day plan, if not the whole plan
- Had someone schedule meetings with all key stakeholders for the first weeks after they arrive

In today's market, putting this in place can set you apart, but increasingly is the norm for leading candidates.

HORSES FOR COURSES

Like other executives there are different executives for different phases in an organisation or function's lifecycle – the growth executive, the turnaround executive, the consolidator executive.

Successful CAE candidates typically will be a change agent, consolidator, safe set of hands or a rising star.

Successful CAEs remember that every organisation and role is different and that roles also change over time. They get back to first principles – agree the remit, deliver the quick wins and build / retool existing capabilities, often also reinventing themselves.

External hires can come unstuck due to not being able to adapt their style or methods to the new organisation.

Lateral hires bring the customer perspective but can also come unstuck by “not getting this internal audit thing”, not delivering in the way provided or getting captured by their team or service provider.

Internal successors can struggle to break out of the shadow of their predecessor, get status or set their own agenda.

These situations are all very avoidable. It is a good idea for new CAEs to put support in place early through mentoring and/or putting trusted advisor(s) in place.

YOUR JOURNEY

The modern head of internal audit comes from a range of different places, each with different needs.

NEW TO ROLE.

In this scenario the candidate has most likely had significant audit experience but perhaps never undertaken the role of an internal Chief Audit Executive.

Things to watch for

There is much in the CAE role that is not apparent until you've been in the role, relating to shareholders and strategy in particular. We'd recommend a crash course and external onboarding support so that you're absolutely up to speed on what's required and the best way to execute. We'd recommend a 12 month mentoring and support program for a first time CAE. We can help with both.

LATERAL HIRE.

In this scenario the candidate has most likely had significant commercial experience but not led an audit unit before.

Things to watch for

The role of the CAE is specialised but not difficult. Having said that there are well worn paths on many things, and a lot that needs to go right. Being sure footed is essential in winning the trust of your customers, staff and key stakeholders.

What to do

We'd recommend a crash course and external onboarding support so that you're absolutely up to speed on what's required and the best way to execute. We'd recommend a 12 month mentoring and support program for a first time CAE. We can help with both.

NEW TO ORGANISATION.

In this scenario the Chief Auditor may have performed CAE roles elsewhere and is new to the organisation. Their focus is on building relationships in the organisation and making things work in their context.

Things to watch for

Many CAEs are caught by surprise in their 2nd CAE role. They go in with a clear view on what has worked for them previously and how things can and should work.

There is always a big difference between what organisations expect and need from internal audit at each place. Stakeholder expectations and baselines vary significantly and by much more than most people would think. This is often underestimated in 2nd time CAEs and missteps, loss of goodwill and early brand damage is surprisingly common. It is less common in 3rd time roles but still happens more often than it should.

What do to

1. Get a very clear view on the baseline.
2. Run with what's in place before changing it.
3. Recognise that many of your ideas may be new to the organisation and may even be transformative. Like other change initiatives this may require a structured or thoughtful change approach to get the organisation to adopt them and for them to stick.

How we can help

CAE support is core business for us, particularly during their first 1-2 years in role.

We can help you to understand the baseline, set appropriate aspirations and timeframes, put together your three year strategic plan and put 90 day check in sessions for performance, best practice advice and general coaching and mentoring.

Please get in touch to find out more.

Listen and observe

Build consensus on
what's required

Build your support
base

THE FIRST 30 DAYS

As a result of the interview process you should now have a good feel for what the organisation needs and what your stakeholders want.

The problem of course is that what the organisation needs and what your stakeholders think they need may be two completely different things.

This is compounded by the fact that you've got multiple stakeholders with different backgrounds, worldviews, experiences, drivers and motivations. Their experiences of internal audit will be mixed, ranging from limited experience of internal audit, through to engrained views of internal audit from years gone by, or perhaps things they like from another company.

This will shape their views on what your permissions and mandate are, and how they want to see things done.

If you're lucky they may have shared experiences and have discussed and agreed what they're looking for. The reality however is this is rare, particularly when there has also been director or senior executive renewal.

With this in mind, the current generation of leading CAEs:

- Meet as many of their key stakeholders as they can in the first 30 days before they get captured by day to day pressures
- Get a sense of what's working, what's not, what's required and what's likely to be accepted
- Build consensus on a plan for change (it's rare that 'more of the same' is what's required, even if that's the brief they've been given)
- Build a compelling vision and story for internal audit and assurance more broadly
- Keep the wheels on for anything currently in progress, put out any spot fires and finalise their plans.

During the lead up to appointment and the first 30 days in role, CAEs have a rare opportunity to position and negotiate. Take full advantage of this, but be clear to negotiate only on what's important and not use political capital when it isn't required.

The rest will come once your authority is cemented in place and from the credibility associated with your quick wins in the next 60 days.

First quick wins

Infrastructure and capability issues assessed

Plans underway

THE NEXT 60

The chances are that you're on a three-month probation period.

Playing it safe may seem like a good way to secure your tenure, but can set you up for failure for the rest of your term.

During your first 90 days there will be defining moments and moments of truth for your function's brand, and for you personally. It is a time to be firm in conviction and in purpose, while also building consensus. Quick wins are an essential element to cementing your support and gaining momentum and permission for change.

Before the first 90 days are complete, leading CAEs will have:

- Met several times with the CFO, Company Secretary, CEO and Audit Committee Chairman to align views and test ideas
- Tested the boundaries of their role
- Had their boundaries tested, and clearly and articulately defined these and held their ground or gained ground, including 'defining moments' if required
- Defined and measured their baselines so they can understand what's required and demonstrate the impact they're having during their tenure
- Dealt with any inherited issues and prioritised or dealt with any 'noise'
- Put together a three year agenda for change, with a clearly articulated picture of how the organisation will be different as a result
- Assessed any issues with their team, service providers and infrastructure and started taking steps to address these

THOUGHT STARTERS

Some thought starters are contained in the following pages.

1. The three year vision
2. The scorecard
3. Getting the right capabilities in place
4. Support network

Set a 3 year vision

Focus your scorecard
on goals & outcomes,
not just audit
efficiency

Establish a support
network

THE THREE YEAR VISION

Contemporary CAEs realise that a three year strategic plan for the function is not the same as a three year audit plan.

While the three year audit plan gives a sense of what your team might review and audit over the next three years, the three year strategic plan gives a sense on what you might achieve and how your organisation and unit might be different as a result of your leadership.

The strategic plan focuses on broad brushstrokes and outcomes rather than specifics and might look like:

Year 1: Consolidate & optimise existing capability

Year 2: Introduce new offerings

Year 3: Drive cultural change & renewal

A clear and visual three year strategic plan on a page can provide the narrative your team, suppliers and stakeholders need to make sure they are aligned and on board for the entire journey, while also giving you the time and support to make it happen.

Absence of it can lead to more of the same and an inability to get buy in, or maintain support. Or worse, cause confusion and conflict in your stakeholder group.

How we can help

Stakeholder expectations vary widely and move constantly without a clear and regularly reinforced vision. This is as much a communications and change exercise as it is a technical delivery activity. Messaging content and format helps.

We can help you to quickly develop, codify and communicate a three-year plan that is fit for purpose and able to be shared and communicated in a way that your stakeholders will continue to back you – even as expectations change.

THE SCORECARD - ARE WE THERE YET?

Getting the trust of the organisation and your stakeholders takes time, particularly if you're introducing new approaches that your stakeholders are not familiar with.

It's important to get the basics right without losing sight of the big picture. Putting the right scorecard in place and getting alignment into the CAEs goals, bonus structure is essential to staying on track.

Leading CAEs will have a strong skew towards outcomes and effectiveness measures which align with their vision – coverage, improved control or business performance, executive talent development etc. These are the things that secure tenure and

secure promotion. They the things that are remembered long after all other things are forgotten.

Lagging CAEs will use traditional scorecards which are inwardly focused on audit efficiency and activity only (on time, on budget, in full) and not the things that really matter.

This is a trap for new CAEs. While efficiency is important, people remember business change and assurance long after “on time, on budget” is forgotten.

Todd says...

In my last in-house role I was tasked not only with providing assurance on the things that mattered, but on improving the control environment holistically, and using audit to develop more capable management teams.

These 3 areas were what mattered to my CEO and the Audit Committee Chair of the day and guided their hiring decision. They became the top line measures and the basis for everything we did. The measures drove the design of everything we did, how we did it, strategy and who we hired. That remit was cemented in the first 90 days and the lead up to being appointed.

That remit might not make sense for your organisation, indeed in the longer term the organisation also outgrew it. But at that time it was right and made perfect sense. It was outcomes focused, clear and measured. It shaped everything.

What is the right remit for you? Is it explicit, agreed and baked in? Your first 90 days is the time to sell it and secure it.

How we can help

We can help you to quickly develop and refine scorecards that are clear, unambiguous and help you and your team to focus on what matters. We can also help you get beyond the standard metrics that keep aspirations low. Call us if you need help.

GETTING THE RIGHT CAPABILITIES IN PLACE

While the CAE has been getting a feel for what the organisation needs, they’ve had the opportunity to see their teams and service providers in action, and start thinking about people, process and systems. This enables them to start answering these questions:¹

Vision & Landscape

- Where does the organisation need to go / be able to go?
- What is our role in that and how far do we push into or partner with risk, compliance and fraud risk management.

Vision

People

Process

Infrastructure

¹ Illustrative questions from our Internal Audit Excellence model.

- What are the scope boundaries of our work and desired coverage?
- Are our stakeholders aligned?
- Are our customers on board and ready for what's coming?

People

- What capabilities do I need in-house and do I have the right people in the right places to do this?
- Do I have the right advisors in place who can help me through all this in a cost-effective manner?
- What capabilities do I need from my service provider(s) to supplement my in-house team? Am I getting these currently? What's the right model?
- Which elements are best performed by in-house personnel, contractors, consultants and firms?
- What support do I need personally to make this happen and keep me invigorated and true during my tenure?

Process

- Does our approach lead us to focus on the right things at the right times?
- What is our role vis-à-vis other risk, compliance and assurance functions?
- Are our risk, compliance and assurance functions working together as an integrated whole, or creating duplication, overlap and gaps?
- Are we auditing the right things, and are we auditing them efficiently and effectively?
- Do our methodologies stack up?
- Can we front load quality and business buy-in to drive a faster, better and more rigorous work product?

Infrastructure

- Is there anything we're doing which would benefit from automation? Are our tools & systems up to the task?
- Is there anything which we can't do now / are not doing now which would be possible with technology?
- What could we be doing more efficiently?
- Do we have good knowledge management in place to enable our teams?

- What is available off the shelf which I can implement quickly and cheaply?

SUPPORT NETWORK

Leading CAEs bring a network to the table and recalibrate that network for every new role. They know who their peers are. They know what they're up to. They know who to invest time with. They know what their audit committee members are seeing at other organisations, and anticipate requests before they are made. They also know when to engage with benchmarking services and which advisors to use and when.

If any of this is unclear we can cover this when you engage us.

BEYOND 90 DAYS

THE NEXT YEAR

A solid three year plan will guide your team and allow time and a methodical approach for implementation. Detail in each annual plan is important in setting performance goals, KPIs, annual plan detail, budget requests and so on. The key to this is solid planning before and as part of your organisation's planning cycle that is aligned to the organisation's plans but also pushes your mandate forward.

Make sure to reflect at least annually on where you are against your agreed roadmap. Remind people of where you're taking them and where you've been. Call out and celebrate your successes to remind people of where they're at and how far you've come. Do this at least annually in your committee pack. This helps to keep your stakeholders calibrated and help you to stay on course.

WHEN STAKEHOLDERS CHANGE

Stakeholders changing is part of life for any modern CAE.

Senior executives and non-executives have strong views, shaped by a range of different experiences and information sources. Some of these are set. Others can change in near real time, particularly for non-executives who serve with other organisations.

The key to success and longevity is anticipating and acting on these expectations.

Proactive CAEs will get in first with new executives to establish ground rules and get them on board with the baseline, expectations and current journey before they have a chance to diverge.

This is fairly straight forward, unless one of those stakeholders is your CEO, CFO, Audit Committee Chair or the loudest voice on your committee. In those cases all bets are off and most likely you're back to square one or close to it. More than likely you may need to recalibrate.

In these cases we recommend running your 90 day process again to make sure you maintain "license to operate" and keep momentum on your chosen path or work out where it needs tuning.

This is particularly the case if you're doing something different from the norm, or different from the places that your stakeholder has come from.

Recalibration may be required. Make sure you enlist your CEO and Committee Chair to drive consensus.

"When your stakeholders change, you are at zero. You need to start your first 90 day process all over again".

Global head of internal audit, Nokia

How we can help

When you've got new stakeholders it's important to understand their drivers and preferences and to anticipate their needs before they ask and before you misstep.

We constantly scan audit and risk committee expectations through our work with regulators, audit and risk committees and senior executives. We also constantly review current practice across a range of organisations. More than likely we've dealt with at least one of the contexts that your stakeholders come from – we know what they need, and possibly what they're used to seeing elsewhere.

Call us if you need a hand understanding expectations or recalibrating your approach.

BEWARE THE THIRD TRIMESTER

At 180 days your grace period ends. At the 9 month mark the honeymoon is well and truly over. Deeds must match and exceed words and plans. By the 9 month mark you must have momentum. If you don't then stakeholders will be starting to question their hiring decision and waver in their support. This a dangerous time for new CAEs.

At the 6 month mark you should have completed everything in your 90 day plan. The window to set expectations without judgement is closing.

We suggest you diarise time for an honest and reflective self-assessment at the 6 month mark to make sure you absolutely nail the next 90 days and keep building momentum.

How we can help

We can help you with this self assessment process by reviewing documentation, discussing where you're at in a structured way. At six months its not too late, but now's the time to act. If you're unclear or unsure, please get in touch.

STAYING FRESH

At the end of two years it is a good time to make sure the role is still right for you and that you're still right for it.

Longevity in these roles beyond five years is not common but there are a strong cohort of people who do it exceptionally well and get better every year. They are the indispensable CAEs, the ones that the organisation can't bear to lose.

These long term high performers keep themselves fresh. Many are our clients and challenge us as much as we challenge them over an extended period.

At the 2-3 year mark it's a very good time for a discussion on where you're at personally and where you're going. Don't leave your career to chance. Schedule a discussion with us.

This can be an isolated role

Sometimes you need someone who's on your side

YOUR TRUSTED ADVISOR

Leading CAEs recognise that they sometimes need a trusted advisor who is outside their network of peers, stakeholders and suppliers – someone in their space without conflicts or a hidden agenda, with a good understanding of what good looks like, who they can bounce ideas off, prioritise and turn to for implementation or advice if required.

Todd Davies & Associates fills this role for a number of leading CROs, CAEs and emerging leaders risk and assurance for Australia's best known organisations.

We partner with CAEs and their senior people to:

- Set their strategy and comms
- Set their approach to stakeholder engagement and change management
- Provide a second set of eyes on reviews, plans, scopes, methodology and deliverables
- Drive 90 day performance checking discussions, feedback and coaching
- Being available as a sounding board when they need someone they can talk to in confidence who deeply understands what they're dealing with.

CAEs tend to engage us in one of the following circumstances:

- They want a sounding board who is familiar with good practice and has no conflicts or secondary agenda
- They want to do something innovative, out of the box or something which is a one-off
- Their team doesn't have the capacity, capability or experience to design or lead the change effort
- They don't have the bandwidth to drive their change agenda personally
- They want a quick and/or cost effective result

We deliberately seek out CAEs who are striving for greatness in their organisations. If this is for you we'd love to talk to you. Give us a chance to help with your journey. First discussion is free of charge.

Coaching & Mentoring
for CAEs and rising
stars

Experienced sounding
board

Leading practices in
audit, risk and
assurance

Benchmarking & peer
connections

Capability building

Getting the most out
of your teams,
providers and
infrastructure

Helping your audit
function excel

ABOUT TODD DAVIES & ASSOCIATES

Todd Davies has a long track record of defining leading practices and setting new norms in internal audit, risk and assurance.

As the global head of product development for KPMG's internal audit practice he rolled out risk-based audit to 43 countries and helped KPMG become a global leader in that space.

As the first Audit & Risk Director of Fairfax Media Limited he established a leading function that underpinned Fairfax's transformation to a diversified media business and fundamentally improved the operation and profitability of that organisation.

As the first Technical & Policy Director of the IIA he developed IIA's first policy agenda and set up the IIA's CAE Service - a national thought leadership roundtable for leading CAEs (primarily the ASX 50) that is now being rolled out globally.

As the subject matter expert on risk and internal audit on the ASX Corporate Governance Council he drove reforms which are recognised as leading practice globally while also being well accepted and adopted in the local market.

Todd Davies & Associates was formed to help organisations get the most out of their audit & risk functions.

We work with a range of leading, emerging and well-respected CAEs and their organisations to help them get the most out of their audit & risk functions and showcase this work nationally and internationally. This includes many of Australia's best known organisations from the ASX 10 down to small for purpose organisations.

For more information about what we do, and who we do it with, please go to our website: www.todddavies.com.au.

ABOUT THIS PUBLICATION

This is one part of a series of white papers, articles, blogs, presentations and forums provided free of charge.

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