



*Powerful Insights.  
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Internal Audit in Family Owned Businesses  
**A Convergence of Internal Compliance &  
Internal Consulting**

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Internal Audit.



## Agenda

- Family owned business
- Internal auditing in family owned business
- Compliance to Consulting
- Definitions
- Consultant skills
- Conclusion

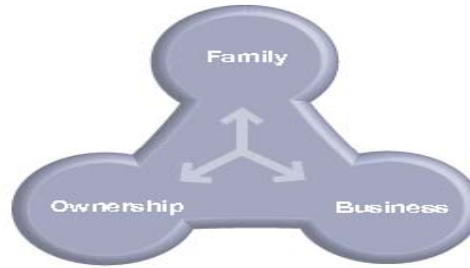
# Family owned business

Initial Phase



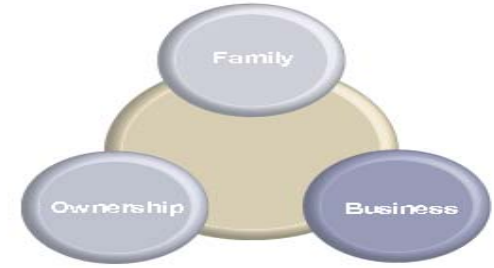
Foundation / Patriarch

Growth/Development



Siblings partnership

Maturity



Future generation –  
cousin confederation

Source: Better Governance, based on Gersick, Kelin E., Davis, John A., Hampton, Marion M., and Lansberg, Ivan I. Generation to Generation: Life Cycle of the Family Business (1997)

## Characteristics

Entrepreneurs

Highly skilled / Committed

Profitability

Efficiency

Succession / Continuity

Values

## Perception

Poor transparency

Concentrated ownership

Accountability issues

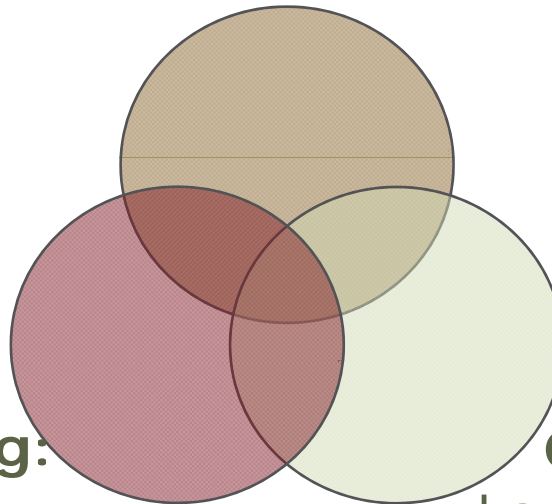
Lack fairness

Disregard minority shareholders

Investors reluctance

## Emphasis in family owned business

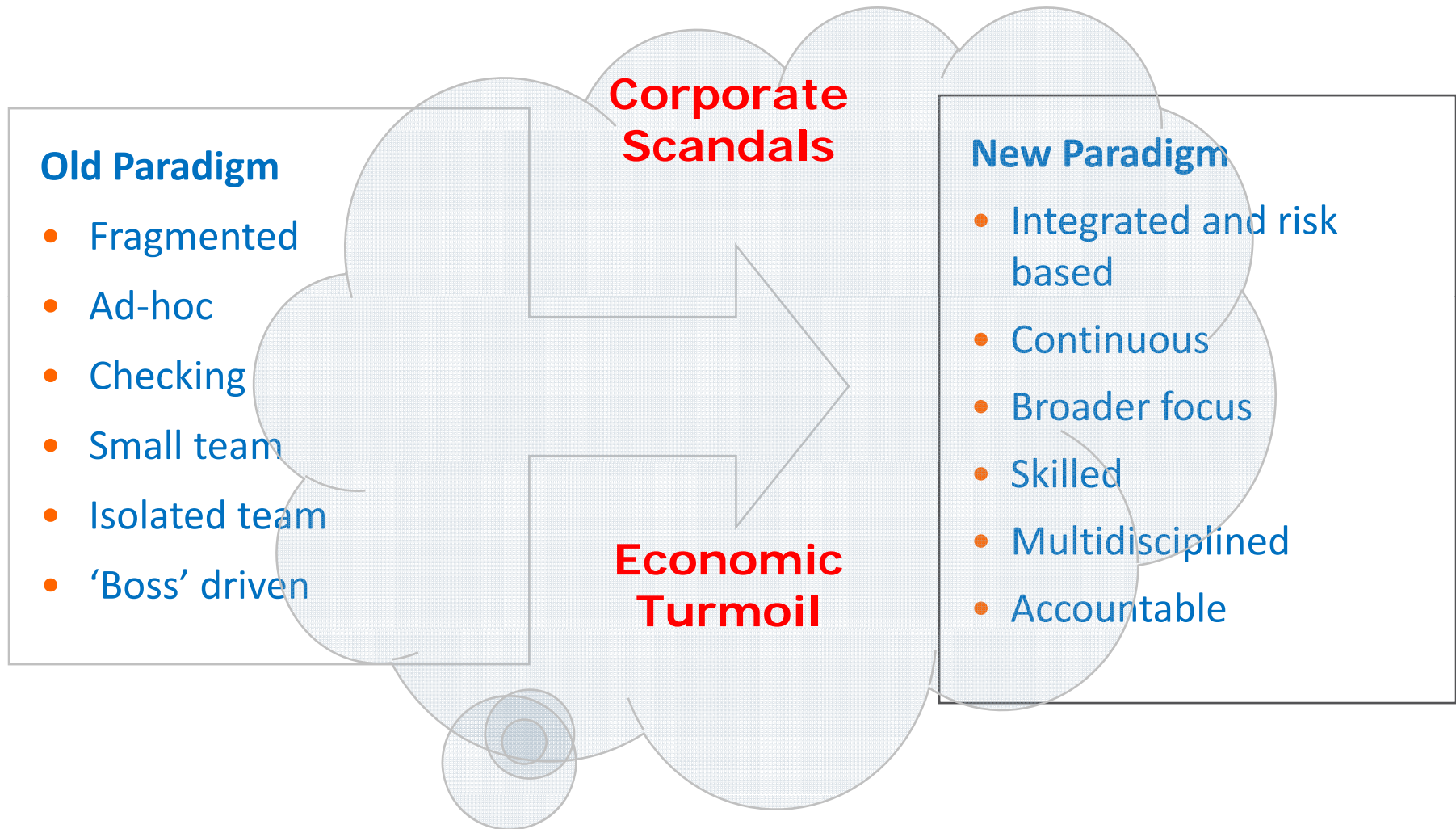
**Operations:**  
Effective & Efficient



**Financial Reporting:**  
Reliable

**Compliance:**  
Laws & Regulations

# Family Business Audits: Traditional Vs Modern



## Issues for Internal Auditors today

- Economic Conditions
- Skill base/competencies
- Greater scrutiny
- Greater coverage
- Global teams
- Corporate Governance
- Risk Management
- Management support
- Risk Committee
- Audit Committee
- Add value
- Consultancy
- Professional / Regulatory
- Visibility demanded
- Outsourcing

## Internal Audit: Challenges in Family Owned Businesses

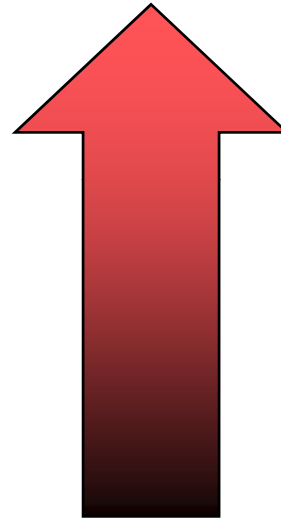
- Tone at the top
- Role of IA
- Family 'influence'
- Emphasis areas
- Team composition
- Objectivity in Audit Reports
- 'Special Assignments'
- Risk Appetite / Materiality

Internal Auditing can be seen more in a 'Policing' role than as a critical element of corporate governance

## Family Business Audits?

**Dilemma**

**CONSULTING**



**COMPLIANCE**

Regulatory, IIA Standards, Internal Systems, P&Ps, Strategic, Management, Budgetary

## Internal Auditing

Internal auditing is an independent objective assurance and consulting activity designed to add value and improve an organisation's operations.

It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

(IIA Definition)

Consulting is the service provided by an independent and qualified person or persons in identifying and investigating problems concerned with policy, organisation, procedures and methods; recommending appropriate action and helping to implement these recommendations.

# Why Consulting ?



## Change

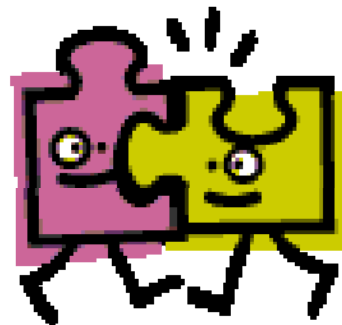


**If you do not change  
you can become  
EXTINCT**

*“Who moved my cheese?” – Dr Spencer Johnson*

## Consultant Skills.... (Audit Skills??)

- **Industry knowledge**
- Technical knowhow
- Skill to structure task
- Individual / Team concept
- Positive client relations
- **Experience & Maturity**
- **Leadership / Etiquette**
- Network: Internal & External
- Political / PR skills
- Empirical fluency
- **Writing & Presentation skills**
- Good listener / Influence
- **Integrity**
- Lateral thinking



## Are we Consultants ?

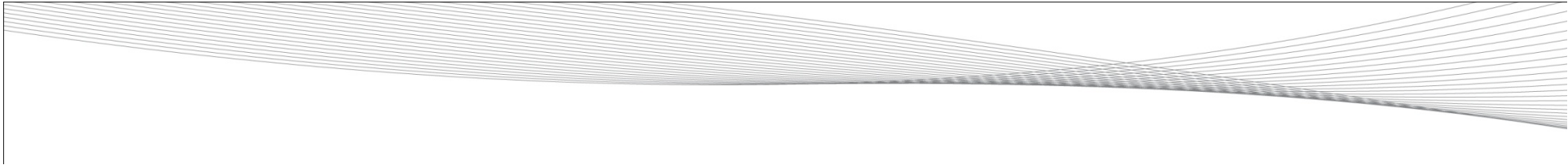
- Do we 'add value' to client's businesses....?
- Provide & transfer technical input & skill?
- Do we influence change and get acceptance?
- Provide proper risk based coverage?
- Clear internal obstacles and resistance?
- Work with senior management: CEO,COO, FCs...?
- Communicate with and persuade stakeholders?
- Provide implementation plans?
- Write persuasive and impactful reports?

## Conclusion

As Internal Auditors  Business Consultants:

- Re-Engineer and Re-invent self / team periodically
- Alert to the noise around them
- Partner with Management, Maintain Independence
- Career enhancement
- Prosper, not Perish .....do not simply exist !!

Recognize **YOU** are a Consultant



**Thank you**