Lean auditing

Chartered Institute of Internal Auditors

You asked us a question via the technical helpline:

What is lean auditing?

Lean auditing refers to the application of 'lean' principles to the internal audit process.

'Lean' is about working in the most efficient and effective way. Doing what you have to by the quickest and best means to achieve the desired end product or goal for your customers.

It is a tried and tested idea that has its roots in the Japanese motor industry in the 1960s and 1970s when engineers were searching for the perfect process one that flows with ease, avoids delays and eliminates waste.

Lean principles are particularly useful for organisations and activities that work in a systematic way, including service providers such as HR, IT and internal audit.

By thinking about the way you do your audits and challenging yourself about whether they satisfy customer needs in the most efficient and effective method you will be establishing a culture of continuous improvement.

This is entirely consistent with Definition of Internal Auditing and the International Standards (Standard 2000) because the emphasis is upon improving the operations of the organisation and providing value.

To begin thinking in a ‘lean’ way you have to be clear about who your customers are and engage with them on a regular basis to understand what they want and why.

In some cases there may be competing expectations in terms of assurance and consulting activities that will need balancing but going down this path will help to ensure the internal audit plan is aligned with the key objectives of the organisation.

In this regard the objective is to produce a schedule of internal audit engagements that has clear links to the principal risks and change programmes of the organisation to demonstrate internal audit’s value. This means justifying the choice of audits and level of resources while challenging some traditional conventions such as cyclical auditing.

‘Lean’ also applies to internal audit engagements. For an effective internal audit function it is about working with managers to get the focus and priorities of the audit engagements right, determining whether principal risks are under control and producing internal audit reports that are short, insightful and recognise the wider context of the organisation.
Anything that does not add value or contribute to the internal audit approach has the potential to be changed or even cut altogether.

The aim is to reduce the time taken while delivering better results so that efficiency and effectiveness work hand in hand. Although a lean internal audit approach can deliver cost savings, it is worth highlighting that for many internal audit functions the focus is as much around driving value and productivity with the resources they have and, most of all, getting better at demonstrating that value to key stakeholders.

However, a short response to a question cannot do justice to the finer points of lean auditing so we suggest further research and reading before taking the next step.

Read our Audit & Risk article Lean auditing: what, how and why

Further reading

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Lean Auditing: Driving Added Value and Efficiency in Internal Audit