THE ROLE OF SOFT SKILLS IN DECISION MAKING BY AUDITORS

Summary. The author of the article describes the importance and benefits of soft skills in audits. Auditors' soft skills play important part in contribution to the success of the internal and external audit. Organizations are generally more successful if they train their staff to use these skills. Screening or training for personal habits or traits such as dependability and conscientiousness can yield significant return on investment for an organization especially during the implementation of quality management system.

Keywords: decision making, soft skills, auditor, internal audit, external audit, critical thinking, quality management system.

ROLA KOMPETENCJI MIĘKKICH W PODEJMOWANIU DECYZJI PRZEZ AUDYTORÓW

Streszczenie. Autor artykułu opisuje znaczenie i korzyści płynące z kompetencji miękkich w audytach. Miękkie umiejętności audytorów przyczyniają się do sukcesu zarówno audytu wewnętrznego jak i zewnętrznego, pomagają w podejmowaniu decyzji. Organizacje, które szkolą swoich pracowników tej dziedzinie, powinny zwrócić uwagę na wykorzystanie tych umiejętności w praktyce. Szkolenia i praktyczne zastosowanie kompetencji miękkich, szczególnie podczas wdrażania Systemu Zarządzania Jakością, jest nie tylko inwestycją, ale przynosi wymierne korzyści dla organizacji.

Słowa kluczowe: podejmowanie decyzji, kompetencje miękkie, audytor, audyt zewnętrzny, audyt wewnętrzny, myślenie krytyczne, SZJ.
1. Introduction

The auditors work focus on decision making. It is difficult task because it deals with moral and ethical choices. Ethical choices are based on the moral philosophy of the decision maker. Moral philosophy is learned through the process of socialization with friends and family, and by formal education. It is also influenced by the societal, business, corporate culture in which a person finds him- or herself. There are two moral philosophies; moral idealism and utilitarianism. An appreciation for nature of ethics, coupled with a basic understanding of why unethical behavior arises, alerts a person to when and how ethical issues exist in audit decision. Ultimately, ethical behavior rests with the individual, but the consequences affect many.

2. The Effective Auditor - success and failure in internal audit

‘Internal Audit is largely a relationship and communication business requiring high levels of emotional and social Intelligence to be successful’ - IIA Research Foundation Report 2011. In ‘The 7 Attributes of Highly Effective Internal Auditors – succeeding as a 21st Century Internal Auditor,’ Robert Half International and the IIA reported that the most effective Internal Auditor of the Future will display a broad range of non-technical attributes in addition to deep technical expertise. Auditors should have ability to facilitate an exploration of critical internal Audit capabilities including:

- effective communication,
- relationship strategies,
- building and maintaining trust,
- navigating through power and influence,
- negotiating skills and constructive conflict,
- emotional intelligence,
- developing personal self-awareness and values based leadership.

There are special programs recommended for any audit team members looking to gain significant insight into the development of key non-technical attributes necessary for Internal Audit team and individual success.
3. The role of soft skills

The term soft skills are often associated with a person's Emotional Intelligence which is the cluster of personality traits that characterize one's relationships with other people. These skills can include communication abilities, social graces language skills, personal habits, cognitive or emotional empathy, and leadership. Auditors' soft skills play important part in contribution to the success of the internal audit. Organizations are generally more successful if they train their staff to use these skills. Screening or training for personal habits or traits such as dependability and conscientiousness can yield significant return on investment for an organization. Auditors should have ability to communicate face to face with other staff and explain the solution that is why communication abilities are necessary.

4. Critical thinking in decision making

The term critical thinking, comes from word critical, (Grk. κριτικός = kritikos = "critic") derives from the word critic and implies a critique; it identifies the intellectual capacity and the means "of judging", "of judgment", "for judging", and of being "able to discern".

Critical thinking called critical analysis means clear, rational thinking involving critique. Barry K. Beyer defines critical thinking as clear, reasoned judgments. During the process of critical thinking, ideas should be reasoned, well thought out, and judged.¹ The National Council for Excellence in Critical Thinking defines critical thinking as the intellectually disciplined process of actively and skillfully conceptualizing, applying, analyzing, synthesizing, and/or evaluating information gathered from, or generated by, observation, experience, reflection, reasoning, or communication, as a guide to belief and action.² There are eleven advices to find out solutions;

1. Recognize problems, to find workable means for meeting those problems
2. Understand the importance of prioritization and order of precedence in problem solving
3. Gather and marshal pertinent (relevant) information
4. Recognize unstated assumptions and values
5. Comprehend and use language with accuracy, clarity, and discernment
6. Interpret data, to appraise evidence and evaluate arguments
7. Recognize the existence (or non-existence) of logical relationships between propositions

8. Draw warranted conclusions and generalizations
9. Put to test the conclusions and generalizations at which one arrives
10. Reconstruct one's patterns of beliefs on the basis of wider experience
11. Render accurate judgments about specific things and qualities

The relationship between critical thinking skills and critical thinking dispositions is an empirical question. Some auditors have both in abundance, some have skills but not the disposition to use them, some are disposed but lack strong skills, and some have neither.

5. Decision-making

The process of decision making is regarded as the cognitive process resulting in the selection of a belief or a course of action among several alternative possibilities. Every decision-making process produces a final choice that may or may not prompt action. Decision-making is the process of identifying and choosing alternatives based on the values and preferences of the decision-maker. Decision-making can be regarded as a problem-solving activity terminated by a solution deemed to be satisfactory. It is therefore a process which can be more or less rational or irrational and can be based on explicit knowledge or tacit knowledge. Human performance with regard to decisions has been the subject of active research from several perspectives:

1. Psychological: examining individual decisions in the context of a set of needs, preferences and values the individual has or seeks.
2. Cognitive: the decision-making process regarded as a continuous process integrated in the interaction with the environment.
3. Normative: the analysis of individual decisions concerned with the logic of decision-making or communicative rationality.3

A major part of auditors’ decision-making involves the analysis of a finite set of alternatives described in terms of evaluative criteria. Then the task might be to rank these alternatives in terms of how attractive they are to the auditor when all the criteria are considered simultaneously. Another task might be to find the best alternative, called BATNA. Solving problems is the focus on multiple-criteria decision analysis (MCDA). This area of decision-making has attracted the interest of many researchers and practitioners and is still highly debated as there are many MCDA methods which may yield very different results when they are applied on exactly the same data. Logical decision-making is an important part of all science-based professions, where specialists apply their knowledge in a given area to make informed decisions. For example, in the case of auditors decision-making often involves

selection of appropriate solution. But naturalistic decision-making research shows that in situations with higher time pressure, higher stakes, or increased ambiguities, auditors may use intuitive decision-making rather than structured approaches.

The decision environment can play a part in the decision-making process. For example, environmental complexity is a factor that influences cognitive function. A complex environment is an environment with a large number of different possible states which come and go over time. Studies done at the University of Colorado have shown that more complex environments correlate with higher cognitive function, which means that a decision can be influenced by the location. One experiment measured complexity in a room by the number of small objects and appliances present; a simple room had less of those things. Cognitive function was greatly affected by the higher measure of environmental complexity making it easier to think about the situation and make a better decision. It is important to differentiate between problem analysis and decision-making. Auditor work is hard problem analysis must be done first, so that the information gathered in that process may be used towards decision-making. Firstly, auditor analyzes performance, what should the results be against what they actually are, than problems are merely deviations from performance standards, problems must be precisely identified and described, problems are caused by a change from a distinctive feature, causes of problems can be deduced from relevant changes found in analyzing the problem, most likely cause of a problem is the one that exactly explains all the facts.

As it was said in the very beginning of the article auditors work focus on decision making. It is difficult task because it deals with moral and ethical choices. Ethical choices are based on the moral philosophy of the decision maker. Moral philosophy is learned through the process
of socialization with friends and family, and by formal education. It is also influenced by the societal, business, corporate culture in which a person finds him- or herself. Auditor has firstly must establish objectives, than objectives must be classified and placed in order of importance, alternative actions must be developed, the alternatives must be evaluated against all the objectives, the alternative that is able to achieve all the objectives is the tentative decision the tentative decision is evaluated for more possible consequences, the decisive actions are taken, and additional actions are taken.\(^4\) There are steps that are generally followed that result in a decision model that can be used to determine an optimal plan for implementation of quality management system and internal and external audit.

6. The right way to the optimal situation

The question is which strategy should be use by auditors in case of corrective action and perfecting the quality management system? This element is designed to investigate the causes of the problems, and then take effective measures to help them solve these problems. The implementation of the quality management system is one of the components of confirming the high quality of the services provided by organizations. But implementation is only a fragment of the great element of maintaining the quality management system and its improvement. The organization members must demonstrate continuous improvement of the quality system. To properly improve a quality management system, information how organization works should be obtained. Such information can be divided into internal and external. One of the methods of improving the quality management system is to conduct internal audits to check various areas of activity of the institution and to find inconsistencies. Very important aspect is to note those observations. Finding of non-compliance or record observations is not the end of the audit; all these abnormalities should also be checked after a fixed time period specified in the protocol. The proper supervision of corrective actions or preventive bring the expected results. The company's employees must know and be aware that this is not just a formal procedure it is the possibility of improvement. Part of the implementation of the quality system is also correction and prevention, which examine the occurring problems, and then give possibility to find right solution. Another method of improvement corrective action or preventive or non-compliance findings identified out of internal audits. We can see e.g. On the basis of current observations work of department, the problems arising in their daily work, failure constantly recurring faults in the plant, etc. Auditor will list the protocol insights or inconsistency, similar to the case of internal audits, and supervise certain activities. The resulting records on the corrective actions are to prevent from incorrectness and keep right way. In order to ascertaining whether the documentation is implemented and respected in

different areas and at different positions, it is necessary to systematically carry out internal audits and quality management system. Whereas verification of the actions of the quality of organization is required to develop procedures for the planning and making of internal quality audits conducted by independent auditors. In the case of a company that does not meet the expected requirements should be developed procedure for dealing with non-compliances. A person who makes a mistake should be required to report this to his superiors. This procedure requires a change in the mentality of the staff, but also is associated with a high sense of responsibility for their work. This is a very important element in the quality of services, in order to reduce the time to respond to error. The internal quality audit functions based on the annual plan of internal audits covering all sectors organization. You should have reports from previous audits and documented the effects of corrective actions taken, including a register of customers' complaints. Monitoring and quality control of services also includes the area of subjective assessment by the customer. Dissatisfied customer often stop using services in often without information, making it impossible to take corrective action. Based on the results of the audits, the plant operator can start the process of improving the situation at the company, affecting the quality of service. ‘There are two basic forms of assessment of QMS: quality audits and reviews [...]'. The assessment may serve the purposes of internal organization (internal audit and review) or external (external audit).\(^5\)

Internal audit is to assess the compliance of the activities carried out under the quality management system documentation and records to assess their effectiveness, and to take any corrective and preventive actions. His task is impartial evaluation of the implementation of the assumptions and obligations. It is therefore important to be carried out by individuals but neglecting direct responsibility for the area of the system shall be audited. Internal audit may take the character ‘- system audit - when assessing the effectiveness of the entire system by comparing its performance with the assumptions - audit choice - when it is focused on the evaluation of activities affecting the quality of a particular product - audit process - if it refers to specific processes.'\(^6\) Audits may be carried out in a planned manner under an approved schedule or ad hoc basis in order to find the causes of non-compliance identified. Properly conducted and developed internal audit is an effective tool for maintaining, and improving the quality. It may also reveal signs of the need to take action to improve the quality management system.

The procedure for carrying out an audit of each institution has its own specifics. In all cases, however, you can distinguish a set of actions, such as the analysis of documentation on the area to be audited in terms of its compliance with the model adopted by company’s quality management system. Includes research in the workplace, involving knowledge of the facts by conducting appropriate interview where questions were asked.

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\(^6\) Ibidem, s. 197.
The purpose of this manual is to give rules governing the performance of the particular tests of controls. Given are the types and frequency of the basic tests of quality control to ensure high-quality services, control and measuring equipment needed to perform the quality tests, methods to perform basic quality control tests and to establish tolerances parameters studied. Overview of the quality management system is periodic, scheduled and documented meeting with persons responsible for the implementation of the objectives of quality policy, to assess the effectiveness of the quality management system by comparing plans with actual results obtained. You should think about the questions: Is to changing internal and external quality policy is still valid? Whether the tasks carried out further ensure the achievement of a lasting manner the assumed level of quality? Is it necessary (and if so, how) to take steps to improve the quality management system? The review should be carried out in a planned manner, according to the schedule once a year or more often if necessary. The external audit is a form of assessment based on the documentation of compliance with the quality management system ISO models. "If it is carried out [...] (own resources or by appearing on behalf of the representatives) in order to know the state of his preparations for the delivery or work in accordance with accepted requirements, it called the external audit on the other hand. If the external audit is conducted by an independent external audit is called a third party. "7A special type of external audit third party is called. Certification audit. This audit is performed by an independent, accredited certifying body in order to grant the certificate, or the certificate of conformity of the test system with the requirements of the standards. Renewal of validity of the certificate at the request of the certified organization. In special cases, the certification body has the right to suspend or revoke the certificate. Reports from certification audits and surveillance carried out by the certification body are very good information useful for the improvement of the quality management system. It is a collection of all the important information on the activities of the whole system and its improvement. On the basis of these reports, we learn how we can further improve the system and what we can change, so that in the next report now these observations were as little as possible. Each process must be monitored and have a certain measure, or quality factor. Quality indicators should be monitored during the implementation process and draw from them the appropriate conclusions. If approved previously indicators do not agree with the adopted in the description of the process, then you should improve or change some of its stages. If they do not we will, this process will have no meaning in the whole improvement of the quality management system. Each company shall keep a register of complaints or requests submitted by customer. All complaints or requests should be examined to seek information from potential perpetrators of the situation, to take appropriate corrective or preventive action and continuously monitoring the reproducibility of the same complaints. Improvement of the quality management system is essential and necessary. It aims to improve the business, good

7 Ibidem, p. 199.
relationships with customers. Continuous improvements are expected to bring not only a favorable opinion about organization, but also measurable financial effects, ie. Reducing the costs of facility, having implemented a quality management system.

**Bibliography**


**Omówienie**

Rola kompetencji miękkich w podejmowaniu decyzji przez audytorów staje się zagadnieniem godnym uwagi ze względu na korzyści płynące dla organizacji w trakcie certyfikacji. Organizacje, które szkolą swoich audytorów w tej dziedzinie, powinny zwrócić uwagę na wykorzystanie tych umiejętności w praktyce. Pojęcia, takie jak: decision making, inteligencja emocjonalna, empatia, praca zespołowa, negocjowanie, nabierają znaczenia w trakcie tak trudnego zadania, jakim jest wdrażanie systemu zarządzania jakością oraz podczas przedłużania certyfikatu. Jest to wyzwanie zarówno dla audytorów wewnętrznych, jak i zewnętrznych. Szkolenia i praktyczne zastosowanie kompetencji miękkich nie jest inwestycją krótkoterminową, jest benefitem o długoterminowym działaniu dla organizacji.