5.00 CONSIDERATION BEFORE GOING IN FOR MANAGEMENT AUDIT

5.01 Apart from other signals, which indicate the need for management audit, there is to be recognition by senior management that it could, by itself, be a desirable and valuable management tool for evaluating all steps of management and objective review. To make such a decision requires maturity and confidence in the minds of the management individually and collectively. Such maturity will come when there is group or team approach and willingness to improve the management performance. There shall be no individual dominance or vanity.

5.02 When there is cohesive team of managers in existence, they will always recognise the value of independent evaluation of their actions and comments on the same. They will thoroughly recognise the value of management audit. This comes out of awareness of the need to strengthen all departments of management and the need for review efforts in the organisation. This may also result in broadening of activities under audit function, which will assist procedures and standards and more effective adoption of operational analysis, procedures and better quality in service and also other staff support efforts. The benefits of management audit have to be realised by practical application. If an attempt is made and the exposition is handled well by a professionally competent review team, then its potential and utility will be fully grasped. This will lead to a second and even third, limited or full scale review, of audit areas,
product line, functions or service etc. From the practical experience and benefits, the management can take its own decision for continuing their efforts and commission audits periodically and recurrently. Naturally, the value of the information developed and the benefit accruing must be comparable to the costs involved. The costs will include not only the financial pay out but also intangible factors such as time of management personnel or loss of activities as a result of such reviews. Though these factors should not be deterrent to management audit, they have costs and these costs must be realised and included as part of cost of management audit. While evaluating such intangible costs and analysing the cost-benefit of management audit, expert guidance may be required. Experience of other corporations would also be relevant and could be referred to. If the corporation is strong in the staff support areas, then the benefits from management audit would be much more because the corporations and its executives would have been reasonably prepared to receive staff advice and would be able to make use of it in an impersonal and professional manner. They would have been exposed to independent, objective and critical review by other Departments of the corporations. They would realise the proven value of such a staff review, which would have prepared them for a bold move into management audit, which would be much more beneficial and revealing.

Simply put, the management and executives would be better prepared and experienced in how to properly appreciate and make use of review findings and recommendations by staff personnel and so appreciate management audit in the proper perspective.

5.03 As such, before finally deciding to go in for management audit
one important consideration is how well the management is prepared
for management audit. The other problems of the organisation or
the corporation as the case may be, administrative, financial or operational
in nature, should also be kept in view, for, unless more immediate
problems are attended to, a thorough going management audit and
steps to be taken as a result of the audit findings would not be feasible.
It may establish a real need for such management audit, but
the steps required could not be immediately taken and problems could
not be corrected by normal administrative or management analysis.
Finally, management will also have to determine the impact of
other staff services on management audit. For example, if management
audit is commissioned, what will be its effect on statutory audit,
internal audit and other statutory requirements etc., whether other
types of audits should also be continued or not. In the opinion of
the Researcher, management audit, by itself implies compliance with
steps and efforts and estimating the results of other types of audits.
Only because management audit has been commissioned or is being
undertaken, routine audits or management functions shall not be
abandoned. Otherwise, new problems will be created, which will
have to be attended to. Only after management is clear in its mind
of the value of management audit and the desirable results it wants
from management audit, the same shall be commissioned. Only then
resources could be given and scale of audit determined.

5.04 Many a time the management itself is against management
audit, for it is likely to expose the weaknesses of the top management
and it may require education and convincing the top management before management audit is undertaken. Educating the top management team, requires frequent inter-action to clear all doubts and suspicion. The problem is the same that may be faced while introducing computers, new MIS, technology etc. For, management audit is questioning the existing conditions and it need not always be readily accepted. In any case, however much it may be difficult, it is only after educating the existing management team, management audit should be gone into. Otherwise, it is likely to create displeasure among the Board and the management team and they can be depended upon to take all necessary steps to defeat the management audit itself. As such, the whole concept must be presented to the management team and their cooperation sought. Senior management should be convinced of the idea of questioning to get all the information by the audit team and audit team making its own objective evaluation.

5.05 Some of the typical questions that have been asked by top management about the utility of management audit are:

a) When we have already statutory audit why or what for another, one more, management audit?

b) When we are in charge of management, what is that the outside auditor can tell us?

c) When the company is doing well and making profits where is the need for any special management audit?
d) When our activities are highly technical in nature, how can management audit help us?

e) When some of our commercial corporations are big, how can the management auditor measure upto them?

f) If the management audit makes adverse remarks what guarantee is there that I will not be affected by it?

g) If the management audit goes with the recommendation of restructuring the company, what will happen to my status or even to my job?

h) Why should management auditor report over the head of the Department?

The above and similar questions must be answered professionally and convincingly.

5.06 Management audit is only for reviewing the management performance and adherence to good standards and approaches and for this, various management techniques should be adopted. Some of the new approaches have to be deeply gone into as to what was hoped for, what is being done and why. If any hasty attempt is made in introducing management audit without preparation, education and evaluation, both the findings and reactions can prove counter-productive. Such a hasty move may even make management audit
not acceptable for a long time to come and if forced, its real value is lost by the defensive reaction of the auditors and their conclusions.