

# The Audit Process in the shipping industry

Master of Science in Shipping management



**ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΩΣ**

---

**UNIVERSITY OF PIRAEUS**

University of Piraeus

*Filippo Iliopoulos*

## Contents

1	Introduction.....	4
2	What is an Audit .....	5
3	The different types of Audits.....	5
4	The Internal Audit applied to the marine industry.....	6
5	How an audit is performed.....	9
5.1	Planning.....	10
5.2	Conducting the audit.....	10
5.3	Reporting.....	11
5.4	Corrective actions and follow up .....	12
6	The key elements of a successful audit .....	12
6.1	Setting a clear goal .....	12
6.2	Creating support and establish authority .....	12
6.3	Prioritizing .....	12
6.4	Asking the right questions.....	13
6.5	Identifying stakeholders.....	13
6.6	Being appreciative and constructive .....	13
6.7	Adopting the right tone.....	13
7	Common mistakes of an internal audit .....	13
7.1	The risk of routine .....	13
7.2	Lacking Clarity and Concision .....	14
7.3	Failure to Target Clients .....	14
7.4	Only pointing out flaws .....	14
7.5	Poor prioritization from the management .....	15
8	The key attributes of the internal auditor .....	15
8.1	Integrity.....	16
8.2	Relationship-building .....	16
8.3	Partnering.....	16
8.4	Communication .....	17
8.5	Teamwork.....	17
8.6	Diversity.....	17
8.7	Constant Learning .....	18
9	References .....	19



# 1 Introduction

The maritime trade has nowadays reached a size which makes the shipping industry one of the most essential service provider among all human activities, if not the most. It is quite a certainty that if we sit on our couch in our living room and we have a look around, the ninety percent of all objects we can lay eye on, at a certain point of their lives, have been shipped across the oceans on board of beautiful steel-made lady and if not the object itself surely the raw materials which it is made of. It has not always been like this though, and this specific type of trade even if maintaining its fundamental concept, has undergone several steps throughout its evolution. The first population renowned to be using this type of transportation for their goods were the Phoenicians which starting from approx. 1300 BC have developed an expansive maritime trade network that lasted over a millennium, becoming the dominant commercial power for much of classical antiquity. They were followed by the Venetians between the fourteenth and the sixteenth century and the Dutch and the British in a more modern age.

In 1942 while walking across the campus of Oxford university Dr A. Einstein was questioned by his assistant on the reason why the questions in the year's final test, he submitted to the senior class he was teaching were exactly the same questions included in the test submitted to the same class the previous year. His answer was that the questions were yet the same but the answers expected were different. This principle can be applied to nowadays' shipping industry, because, if the foundation of the business is still the same, such as carrying goods from A to B the requirements and demands of achieving the same goal are not the same as they were 3000 years ago.

One of the most impressive aspect of this sector is the two-ways bond between its boost or recession with geopolitical events like the opening of a Canal (e.g., Suez, Panama), the start of a war, the drop or the rise of the market price of any product and more. Due to its high impact on the global economy and the high level of competition which characterizes this industry all entities involved are today required to abide by a quite demanding code of conduct made of statutory regulations. These are ratified by more than 170 countries around the world which are part of United Nations (I.M.O.). The final aim is indeed to safeguard the lives of seafarers, the environment and the cargo traded.

This document will analyse one of the vital processes whose purpose is to control the effectiveness of the system each shipping company both on board and ashore is implementing in order to follow the prescribed regulations. This process is called Auditing. It will be examined in the next paragraphs starting from the general definition through its application in the marine industry where all aspects will be listed and described highlighting the most relevant factors.

## 2 What is an Audit

An audit is: *“a procedure defined as an on-site verification activity, such as inspection or examination, of a process or quality system, to ensure compliance to requirements. An audit can apply to an entire organization or might be specific to a function, process, or production step.”* However different forms of audit are more common according to the function they serve. *“Some audits have special administrative purposes, such as auditing documents, risk, or performance, or following up on completed corrective actions.”*

## 3 The different types of Audits

ISO 19011:2018 defines an audit as a *“systematic, independent and documented process for obtaining audit evidence [records, statements of fact or other information which are relevant and verifiable] and evaluating it objectively to determine the extent to which the audit criteria [a set of policies, procedures or requirements] are fulfilled.”*

The main types of audits are:

**Process audit:** This form of audit ensures that processes are operating within set parameters. It measures compliance to established instructions or standards and the effectiveness of the instructions by evaluating an operation or procedure against predetermined instructions or standards. Check for compliance with established standards such as time, accuracy, temperature, pressure, composition, responsiveness, amperage, and component combination during a process audit. Examine the resources (equipment, materials, people) used to convert inputs into outputs, as well as the environment, the methods (procedures, instructions), and the metrics used to assess process performance. Examine the process controls provided via procedures, work instructions, flowcharts, training, and process specifications for sufficiency and effectiveness.

**Product audit:** This form of audit looks at a specific product or service, such as hardware, processed material, or software, to see if it meets certain standards (i.e., specifications, performance standards, and customer requirements).

**System audit:** An audit of a management system. It's a documented activity that involves examining and evaluating objective evidence to ensure that applicable system elements are acceptable and effective, and that they've been developed, documented, and implemented in line with specified specifications. A quality management system audit assesses an existing quality management program for compliance with business policies, contract obligations, and regulatory requirements. An environmental system audit, for example, looks at the environmental management system, whereas a food safety system audit looks at the food safety management system and safety system audits look at the safety management system. Depending on the interrelationships among participants, an audit can be classed as internal or external. Internal audits are carried out by your company's workers. External audits are

carried out by a third party. Internal audits are known as first-party audits, whilst external audits are classified as second-party or third-party audits.

The main aspects that differentiate internal from external audits are:

An external audit is performed by a third party or an independent organization and is free of any conflict of interest. Independence of the audit organization is a key component of a third-party audit. Third-party audits may result in certification, registration, recognition, an award, license approval, a citation, a fine, or a penalty issued by the third-party organization or an interested party.

An internal audit is carried out within a company to assess its strengths and shortcomings in comparison to its own procedures or methods, as well as external standards adopted (voluntarily) or imposed (mandated) by the company. It is carried out by auditors who are employed by the audited organization but have no vested interest in the audit results of the audited region.

The present document will focus on the first type, the internal audit.

## 4 The Internal Audit applied to the marine industry

The internal audit is a process which has become the main assessment tool in the marine industry after the introduction of the International Safety Management (ISM) Code in 1993 and after that made mandatory in 1998.

*The purpose of the ISM Code is to provide an international standard for the safe management and operation of ships and for pollution prevention.*

One of the most fascinating aspects of the ISM code is the capability of being received by different shipping companies operating around the globe with different structure, different business models and different ship types. Its wide spread applicability is due to the use of broad terms based on general principles and objectives all aimed at safeguarding personnel and environment. Its flexible nature highly relies on the human factor and especially a high level of knowledge and awareness on the management side. This is the main reason the auditing process is considered the most reliable assessment method.

*“The cornerstone of good safety management is commitment from the top. In matters of safety and environment protection it is the commitment, competence, attitudes and motivation of individuals at all levels that determines the end result.”*

According to the above the IMO definition of an audit of the Safety Management System is:

*Audit means a process of systematic and independent verification through the collection of objective evidence, to determine whether the SMS complies with the requirements of the ISM Code and whether the SMS is implemented effectively to achieve the Code’s objectives. IACS PR9-1.1.1.*

The purpose of the Internal Audit is therefore to verify that the shipping company's SMS is as per industry regulations (up to date), that the safety and pollution prevention activities conform with the SMS and if the system is in place and working effectively.

Management system audits are beneficial for many reasons. They can:

- Identify risks in the office and production areas and quantify the severity of the risks
- Determine if the processes and procedures in place are compliant with the requirements
- Identify strengths and weaknesses in the system
- Drive continual improvement efforts
- Ensure that resources are available to adequately address any weaknesses
- Eliminate unsafe work practices and remove hazards



Figure 1. The Plan-Do-Check-Act SMS Principles

It is crucial to highlight that more specifically within the general definitions given in [3] the differences between Internal and External audit can be summarised as per the below main focuses:

- External:
  - ISM Code
  - Class requirements
  - Federal & local regulations
  - International laws
- Internal
  - MS manual
  - Procedures
  - Work instructions

The internal audit is then categorised as:

- Full Audit
  - Entire Safety MS
    - On all departments
    - On all elements
- Documentation only
  - Verification of compliance with any new regulation
  - Management review of the results
- Functional
  - Of the department
  - Of the vessel
- Follow up or verification

To Internal Audit plays such an important role for the shipping industry because it allows the management to identify the systems problem while measuring the adequacy of the controls themselves. Subsequently it also allows to verify the adequacy of the implementation of solutions and to identify opportunities for improvement.





Figure 2. SMS Elements

## 5 How an audit is performed

A clear and structured Auditing program is essential for its outcome and it shall include:

- Identification of the functional areas of the company
- Identification of the processes or the activities
- Identification of the control methods
- Determination of the safety and/or environmental importance of the process/activity
- Determination of the resources to be carried out
- Beforehand Auditor training
- A well thought audit schedule

The Audit can be subdivided in four main phases:

1. Planning
2. Conducting
3. Reporting

#### 4. Corrective Actions Follow up

##### 5.1 Planning

The planning shall define the following aspects:

- The requirements (purpose and scope)
- Activities to be audited
- Document review
- Team selection
- Pre-audit meeting
- Checklist development
- Daily schedule
- Notification

The above activities are quite self-explanatory however the one which is worth being mentioned more in depth is the development of the check list. The purpose of the checklist is to list the processes/functions which will be examined, to assure the full coverage of the requirements to be audited, to provide consistency and uniformity and to provide objective evidence of the audit. If the checklist can be described summarised in a set of questions those would be:

- What is to be checked?
- What is to be found?
- Who is the person who should answer the questions?
- What are the questions which shall be made during the interview?
- How these questions shall be asked?

##### 5.2 Conducting the audit

The way the audit is conducted is very much depending on the way the planning was performed. The paramount of the importance of the preparatory phase is remarkable.

The personnel involved in the process is composed by:

- Lead Auditor
- Auditor
- Top Management
- Managers for the audited area
- Escorts
- Auditee

All the above-mentioned individuals are crucial for the good outcome of the audit. Lack of coordination may result in a series of mistakes which can lead to the partial or total failure of the process. Each role has one or more specific duties to fulfil and to be carried out with the utmost professionalism:

The **Lead Auditor** has the important role to remain in control at all time of the audit team and coordinate the auditee with integrity and resolving conflicts if required.

The **Auditor** shall support the Lead Auditor and perform independently or as a team member the interviews or the checks.

The **Top Management** ensures the cooperation of all employees since the audits are held on their behalf.

The **Management for the audited area** ensures the availability of all personnel and serves as a representative or provides one to take action on non-conformities identified in their area.

The **Escort** is usually a supervisor or a manager ensures that the auditor has access to cognizant personnel and/or records. Allows independent responses and responds only when requested to. Moreover, he/she clarifies issues between auditor and auditee and confirms non-conformities when found.

The **Auditee** must at all times provide true and factual responses/data providing support to the audit team while maintaining integrity throughout the audit process.

The process is started with an opening meeting where all most important aspects will be listed and clarified starting from the scope, the duration, the schedule and most importantly the definitions of non-conformities and the observation. The latter represents a pivotal point since the auditees are made aware of what the target of the investigation is and the importance of the full collaboration.

Following the opening meeting the actual collection of all the evidences will be carried out where all definitive conformances, non-conformances, the observations, the work checklists and reports will be recorded. The on-site audit will be finalised with by a closing meeting. During this meeting a summary will be presented which will include the recommendations, observations, a list of non-conformities found and the draft report.

### 5.3 Reporting

The audit report shall include a detailed explanation of the process which was carried out and shall be objective and factual:

- Name of the audited department/division
- Date and location of the audit
- The scope and the purpose
- The auditors' names
- Summary of the results
- Functional assessment
- Commendations
- Observations
- Non-conformities (narrative)
- Conclusions / Recommendations
- Exhibits and attachments
- Attendance rosters
- Non conformities report

The non-conformities statement (report) shall be attached separately.

If it can be clear what the audit report shall include it is crucial what it shall not include:

- Confidential or proprietary data
- Subjective opinions to improve the SMS
- Unsolicited recommendations
- Emotional / argumentative statements
- Items neither discussed nor mentioned in the closing meeting.

#### 5.4 Corrective actions and follow up

The audit principle is that the corrective action and therefore the corrective action plan are responsibilities of the management, the auditor then shall agree on an implementation period to allow time for the correction to work. The management therefore shall identify the root cause of the non-conformity and act to eliminate it in order to avoid recurrent irregularities. It will be the auditor duty to follow up in the next audit to confirm that the corrective action was implemented and no non-conformities have reoccurred.

The most common problems are usually due to the tunnel vision of a not particularly skilled management which focuses more on the non-conformities rather than the root cause therefore the problem is simply shifted rather than solved. This happens when a proper follow up is not performed and the effectiveness of the actions taken is not verified.

## 6 The key elements of a successful audit

This paragraph summarises the key elements which are to be considered throughout the whole process analysed in the previous paragraphs. As the internal audit is not an exact scientific research and since as in all human-related activities the human factor plays a big role the following essentials may vary from case to case, nevertheless in literature this is what has been described as the most fruitful approach.

### 6.1 Setting a clear goal

The clearer the goal, the more valuable an internal audit outcome is to be expected. If the object of the investigation is clear then creating a solid plan becomes simpler.

### 6.2 Creating support and establish authority

Good internal auditing has to be considered not merely quality control. The need of support from all departments is crucial. The role of the Lead Auditor is pivotal in this to attain this achievement. The characteristics of the most suitable auditor will be analysed in the next paragraphs therefore it will not be mentioned here.

### 6.3 Prioritizing

Internal audits involve scrutinising through a considerably large amount of information. In order to maintain a consistent focus, it is important to set priorities. From the very start it is required to determine which process components or risks demand special attention based on the audit's objectives.

#### 6.4 Asking the right questions

It is vital for the success of an internal audit that the correct questions are asked. It is crucial that the questions are open. This means that there is no answer already suggested in the question. This allows the auditees to express their knowledge on the fact/activity/process without being biased.

#### 6.5 Identifying stakeholders

Identifying the stakeholder involved shall be one of the very steps to be performed. The personnel who are required to be taken in consideration, most likely depends largely on how many employees, departments, and sites there are within the organization.

Identifying the stakeholders also allows to determine the scope of the audit and how much time it will take to talk to everyone.

#### 6.6 Being appreciative and constructive

Internal audits are not supposed to be examinations. If the auditor is acting too rigidly or pedantically, then he/she may start focusing solely on mistakes. It is reasonable to believe that this creates a negative feeling about internal audits, forcing staff to withdraw and become less open to answering questions and accepting valuable feedback.

Being appreciative and constructive is generally a far better strategy. This involves asking about positive things and encouraging staff to think about ways to change and improve procedures or processes still further. Ultimately, this will result in improvement and retention of existing strengths.

#### 6.7 Adopting the right tone

Being the audit considerably reliant on the information retrieved from interviewing staff the golden rule of keeping the right tone is essential. Very often when relating with auditee what matters is how questions are asked rather than what questions are asked.

The auditor shall be keeping in mind that phrasing any criticisms or suggestions for improvement in a constructive fashion and reflecting carefully is always recommended. It's with good reason that standards bodies state that it's the auditor's task "to pass professional judgment and not to focus too rigidly on the specific requirements of every chapter of the standard being assessed."

## 7 Common mistakes of an internal audit

### 7.1 The risk of routine

Audit reports are required to have a particular format and outline. However, sometimes, the content of reports gets standardized as well, hence the readers of reports may feel like reading the same things over and over again. Therefore, reading rate of reports starts to decline and reports do not produce expected influence on readers. Frequent use of the same texts in reporting, the expression of cases in the same pattern the use of the same reporting formats for very long time and insufficient use of graphs and tables decreases the

attractiveness of reports in time. Sometimes, the “routinization” feeling results from doing the same work dominates the auditor performing audits. In these situations, auditors may begin to have feeling that reports they write have inconsiderable amount of value and importance. Another subject causing routinization takes place in follow-ups when corrective actions regarding findings are not receiving adequate attention and embraced by top management. As a result, in order to get over the audit engagement as soon as possible and go back to the ordinary life, auditees may response to an audit finding just to meet formality.

## 7.2 Lacking Clarity and Concision

Reports should provide a comprehensive presentation of work results. Providing too much detail, presenting complex tables and graphs, employing technical jargon, and writing long sentences, on the other hand, can make reports difficult to read and dull. When the aim, scope, and test duration of audit engagements are not established, the report may be misinterpreted or perceived incompletely. Similarly, insufficient clarity of findings and recommendations can lead to a lack of comprehension of problems and solutions, reducing the report's efficacy. Long audit findings, findings presented in story format or kept too short to include all relevant information, lack of structuring of findings into subdivisions, lack of ranking in findings according to significance level, and unclarity about the owner and timing of actions to be taken are all mistakes made in the content of reports.

## 7.3 Failure to Target Clients

An audit function's primary “client” is management. In other words, an audit performs investigations in order to communicate its findings to various management levels. In fact, however, there may be discrepancies between customer expectations and audit reports. This is especially true when there is a lack of monitoring and support for audit efforts from the Audit Committee. Furthermore, if the audit team does not develop the audit plan in accordance with the company's objectives and strategies, and the audit report contents do not give inputs to activities supporting the company's objectives, auditing can quickly devolve into a rote verification job. Another key issue is how audit reports are communicated. Instead of leaving information on paper, a report's effectiveness can be ensured by properly disseminating information in the report to business units. Unless the audit team communicates well, this aspect may not be viewed as aimed at improving the effectiveness of activities, and the expected benefits from the IA may not be realized.

## 7.4 Only pointing out flaws

Another common reporting error is that auditing is based on revealing problems. This scenario can be broken down into two categories. The first is about management's expectations and the audit team's alignment. If management's expectations from an audit team is just to identify large errors, or if an audit report is valued only when a non-compliance is discovered, the auditors may prepare audit reports from the same perspective as well. Hence, the auditors may start focusing only the areas where they can get credit from and this may decrease the effectiveness of audit activities and reports. The second factor usually observed is that audit reports are finding-oriented, which means that the recommendation section for resolving detected issues is either missing or inadequate. Nonetheless, the audit's additional value is determined by the quality of its suggestions in reports.

### 7.5 Poor prioritization from the management

If management is not aware of the importance of compliance, this is usually reflected by the personnel working within the company. Management attitude establishes priority for the entire organization, which drives resources and participation. Compliance should be incorporated into the culture of an organization. Management attention gives stronger character to a policy, which makes controls stick and reduces the chance it'll be ignored. For example, shipping companies where management or senior level employees are very often exempted for one reason or another from scheduled safety trainings are certainly not sending the right message to the remaining staff.

## 8 The key attributes of the internal auditor

The auditor is a person who has been trained and certified to conduct audits on the object in question. In order to grasp the necessary rules, regulations, codes, and guidelines, the auditor should be familiar with the company's SMS or, at the very least, the ISM Code.

During an audit, the auditor is supposed to evaluate all required certifications and ensure that all employees are aware of the company's SMS and how to apply it effectively, as well as provide records to prove compliance. Furthermore, the auditor is responsible for ensuring that all allocated ISM-related duties are carried out in accordance with the Company's SMS and applicable legislation, as well as reviewing auditee feedback. It is also the obligation of the auditor to recommend any improvement ideas that may arise throughout the audit.

Endaya & Hanefah, (Internal auditor characteristics, internal audit effectiveness, and moderating effect of senior management, 2016) in their paper have studied the relationship of the effectiveness of the internal audit based on the auditor personal features. The findings indicate that internal auditor's characteristics are positively and significantly related to internal audit success, and senior management support is very important in this relationship. An effective audit is when the auditee organization is effectively complying with policies, procedures, laws, and regulations (Dittenhofer, 2001). According to the conclusions of the study the attributes that each internal auditor should have include; objectivity, effective communication, proficiency, due professional care, training and development.

The portfolio of abilities and traits that determine professional performance is changing as the internal audit role evolves. Technical abilities are still required, but they are no longer sufficient on their own. In addition to profound technical expertise, the most effective "Internal Auditor of the Future" possesses a broad range of non-technical traits.

If internal auditors are to assist the company improve, their most crucial capability may be comprehending (and responding to) the reality that the world, and its organizations, change continually and swiftly, with new hazards appearing almost overnight. Given the speed and scope of change, agility and adaptability are far from the sole qualities sought by top audit executives.

In literature a broad range of skills attributed to the ideal internal auditor candidate is available and some of them are very often industry related. However, the ones which can be

found transversally throughout the spectra of audited businesses we can isolate and focus on the crucial ones. Non-technical skills that are highly appreciated include the following:

### 8.1 Integrity

Internal auditors, even the most effective ones, face opposition. Similarly, even the most well-researched, well-supported, and fairly presented audit findings can cause controversy. This is only natural: when humans receive bad news or a dissatisfying "evaluation" on an internal audit report, they naturally react with fury and denial. Personal integrity is a must-have trait at all levels of the function. Internal auditors, have a "professional mandate" to demonstrate integrity, trust, independence, objectivity, and other comparable attributes in all of their work. Another aspect of integrity is resiliency. Managers will squirm when internal audit calls them, regardless matter how strong a company's business processes and organizational culture are. Auditee in fact may push back or not be entirely honest, especially in circumstances where someone has not done a good job. Integrity necessitates both confidence and balance.

### 8.2 Relationship-building

Cultivating trust and respect with other experts throughout the business is one of the most ubiquitous objectives across all internal audit functions.

Doing so facilitates the development of productive, highly collaborative, and mutually beneficial partnerships. This goal necessitates the preparation of the groundwork. It takes time to build healthy, meaningful relationships with people at all levels of the company. Internal audit experts that are most successful spend countless hours creating confidence throughout the organization.

Increasing your credibility benefits the auditor in the following ways:

1. During the auditing process, reduces opposition.
2. Encourages the department to understand and embraces internal audit's consultative role by increasing the speed and volume of information that business partners can deliver in response to internal audit requests; and
3. Encourages the department to understand and embrace internal audit's consultative role by increasing the speed and volume of information that business partners can deliver in response to internal audit requests.

Business acumen, knowledge of the firm (and its dangers), persuasion, and empathy are just a few of the additional qualities required for effective relationship-building. Internal auditors should be able to put themselves in the shoes of the persons they are auditing. In simple words internal auditors should be able to persuade others that they are there to contribute value to the company.

### 8.3 Partnering

Another capability which an internal auditor should have is the capability to work in partnership, which differs from teamwork by a tangible line. In simple words, internal auditors must be aware of and up to date on what is going on in the company in order to provide excellent service. It is crucial to know what the management's projects are, how much money



they are investing, their top risks, and rising hazards. The knowledge of such details shall be taken into account in the audit strategy since this proactive risk management, is usually well valued by the administration. However, at the same time, a balance between providing excellent customer service and complying with all of regulatory obligations needs to be maintained.

#### 8.4 Communication

While effective communication has long been recognized as an important internal audit quality, the nature of organizational communication is continuously evolving. This transition is being driven by the rise of social media (and the shorter bursts of more instantaneous information that social media users expect), as well as the ever-increasing amount of organizational data and information. It's worth noting that successful communication abilities go beyond well-written reports to include vocal communication as well. It is crucial that the auditors and people must have an ongoing, two-way (i.e., talking and listening) dialogue with the rest of the company, both formally and informally. Written communications are equally important. Writing skills that deliver a crystal-clear message in as few, well-chosen words as feasible are required to make the audit report sing. Some audit reports are excessively long, especially at a time when most managers are required to read dozens, if not hundreds, of emails, blog posts, and tweets on a daily basis.

#### 8.5 Teamwork

Internal auditors use the same partnering skills they use to serve the company they audit to help develop better connections with their colleagues. This is critical, and it explains why teamwork is a top ability. The highly interconnected nature of the internal audited companies' processes necessitates close collaboration among internal auditors with diverse technical backgrounds. Internal auditing requires knowledge of the back-office (documents), the middle (e.g., IT systems), and the front end (safety procedures, and technical aspects of it). These areas of expertise are usually divided among numerous internal auditors who must work together to provide a seamless service. Emotional intelligence permits to acquire the talents to influence, lead, and empathize (all of which are backed by acute business acumen) as major components of this attribute set. It is critical to learn how to use influence in a culturally acceptable manner; this talent has become a highly sought-after skill in a variety of industries. Internal auditors that have that talent are usually the types of people who can be effectively leading audits because of their ability to influence others.

#### 8.6 Diversity

Some internal audit processes foster improved teamwork through diversity, another commonly stated characteristic with multiple dimensions. Internal audit departments must influence and consult with a wider range of ethnicities, nations, ages, cultures, and subcultures within their organizations as demographics change and globalization accelerates. Chief audit executives stress the importance of managing diversity holistically, including diverse thinking and learning styles. Internal audit leaders are those experts who adapt their management styles to a variety of audiences in order to persuade them to make the necessary changes for the company's benefit.

## 8.7 Constant Learning

"Naturally inquisitive", the non-technical quality which is very commonly sought in internal auditors and valued the most. Internal auditors shall not be satisfied with a "surface explanation", they should be passionate about genuinely understanding the company's process and have a flair for remaining inquisitive in circumstances that change weekly or even daily. This desire to learn and discover should be maintained throughout one's career. Given the rapid pace of business change, the need for this "continuous learning gene" is obvious. Formal training and development programs, certifications, rotational assignments, stretch projects, self-guided learning, and voracious reading shall be used to achieve this.

**Final Thoughts:** How can non-technical attributes be improved?

Lifelong learners will need to be agile, flexible, resilient, empathetic, and diverse learners in order to succeed as internal auditors in the future. Technical skills will always be required of internal auditors, and given the rapid rate of technology and business development, it is realistic to assume that the requirement for internal auditors to upgrade existing technical skills and learn new ones will stay constant. These deep fields of expertise, however, are considered table stakes. Internal auditors should understand the qualities and skills that leading internal audit functions value, and then seek out assignments, projects, and development opportunities (both formal and informal, both within the company and on their own time) that allow them to cultivate these qualities in the future. In summary, internal auditors should devote the same amount of time and attention to the learning and development of non-technical skills as they do to improving their traditional internal auditing skills.

## 9 References

Investopedia.com <https://www.investopedia.com/terms/i/internalaudit.asp>

Asq.org: <https://asq.org/quality-resources/auditing>

IMO.org <https://www.imo.org/en/OurWork/HumanElement/Pages/ISMCode.aspx>

American Bureau of Shipping Academy ISM Internal Auditor class notes (personal).

Australian Audit and Governance Guide 2020

[https://www.worksafe.qld.gov.au/\\_data/assets/pdf\\_file/0020/14555/es-sms-guide.pdf](https://www.worksafe.qld.gov.au/_data/assets/pdf_file/0020/14555/es-sms-guide.pdf)

<https://www.myseatime.com/blog/detail/7-important-elements-of-ism-code-every-seafarer-must-know-about>

<https://letsreachsuccess.com/conduct-internal-safety-audits/>

<https://www.ag5.com/10-tips-for-successful-internal-audits/>

<https://safety4sea.com/>

5 Common Mistakes in Internal Audit Reporting - *Gökhan Yılmaz, Partner - Forensics, Compliance, Dispute and Crisis Management Services Leader at PwC Turkey | Board Member at TEİD & ACFE Turkey | CFE, CIA, CPA, CISA,*

Endaya, K. A., & Hanefah, M. M. (2016). *Internal auditor characteristics, internal audit effectiveness, and moderating effect of senior management. Journal of Economic and Administrative Sciences*

IIA The Institute of Internal Auditors: <https://global.theiia.org/news/Documents/>