



The power of critical thinking



Take a few minutes for a quick, practical refresher on the art of critical thinking. It is for audit leaders and auditors alike. We look at why it is important, top tips and some practical tools chosen specifically for auditors.

Critical thinking is a core competency for auditors. It topped the list of most desirable traits for more than 53 percent of respondents to MIS Training Institute's [2018 Internal Audit Priorities Report](#).

You go to conferences and maintain your technical skills.

But when did you last think about how you think?

Why is this important to me?

Critical thinking is about being thorough.

It is the essence of objective decision making and maintaining an independent mindset.

Critical thinking goes beyond the 'what' and looks at the 'why.'

It is more than just why, it is **5 whys**, the thought process behind root cause analysis.

At every stage of an audit, disciplined, critical thinking is an invaluable skill. It makes the difference between an audit that ticks the box and one that makes a lasting difference.

Thinking in a structured manner enables auditors to work in volatile, complex and uncertain environments, providing insight to support robust risk management activities.

In his book *Trusted Advisor*, Richard Chambers, CEO and President of IIA Global, positions critical thinking alongside technical skills as the two professional attributes of trusted auditors.

Critical thinkers use:

- reasoning and logic to evaluate information
- structure to assess alternatives
- intellectual curiosity to join the dots and make linkages
- healthy scepticism to remain grounded
- data to validate their 'audit nose/gut feel/sniff test'

10 top tips

We have distilled lots of theory on this topic to come up with the tips relevant to internal auditors.

1. Always remain open-minded. Be open to all possibilities.
2. Find the time to think.
3. Embrace data analytics and artificial intelligence.
4. Brainstorm ideas. Be creative and innovative.
5. Improve your memory to help link diverse points.
6. Focus on what is known and unknown in any situation.
7. Practice every day, exercise your brain.
8. Be patient with yourself, skills take time to nurture.
9. Seek feedback, learn from others too.
10. Utilise training courses.

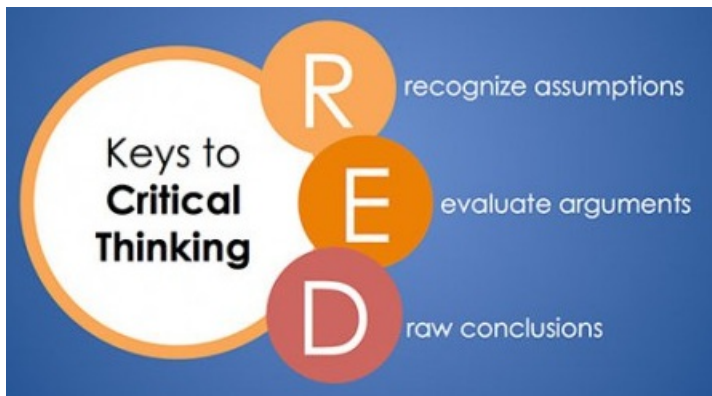
As audit leaders it is also important to:

- Incorporate critical thinking into audit methodology and practices
- Coach and mentor rather than provide answers
- Ask your auditors what they think and why
- Respect everyone's opinion, especially junior members of the team
- Discuss the components of critical thinking in performance appraisals and feedback.

Critical thinking model

Auditors need to be agile of mind, to assimilate information, adapt in a meeting and deliberate findings.

The Pearson's RED Critical Thinking model is easy to remember. The three elements also form the basis of a popular, credible psychometric test used in recruitment (Watson-Glaser).



The three stages of the model follow the natural thought process. A flexible process that is rapid during a conversation or more relaxed when compiling working papers.

Recognise Assumptions. This is where auditors gather information, listen to people and observe behaviours. It is about distinguishing between the facts and the opinion or emotion. The logical mind looks for information gaps. The curious mind considers different perspectives and looks at the situation from the perspective of different parties.

Evaluate Arguments. This is about accurate, structured and objective analysis of the facts. It is important to suspend judgement at this point to remain impartial.

Draw Conclusions. This final stage is where diverse and seemingly unrelated information is brought together, the joining of dots, to arrive at a conclusion, an opinion. Having made a decision, next steps or actions can be formed.

It is possible for auditors to be skilled in some but not all elements of critical thinking.

Think about your own strengths.

Which of these elements do you do well?

Where could you improve?

Do you think critically?

Critical thinking questions

The RED model outlines the fundamental skills required for critical thinking.

We now look in detail at some practical questions an internal auditor can add to their repertoire for day-to-day use.

All auditors know the value of open questions. Kipling's six honest serving men are the focus of a critical thinking framework produced by Wabisabi Learning. A free pdf of this framework is available from their [website](#).

Who	... benefits from this? ... is this harmful to? ... makes decisions about this? ... is most directly affected?	... have you also heard discuss this? ... would be the best person to consult? ... will be the key people in this? ... deserves recognition for this?
What	... are the strengths/weaknesses? ... is another perspective? ... is another alternative? ... would be a counter-argument?	... is the best/worst case scenario? ... is most/least important? ... can we do to make a positive change? ... is getting in the way of our action?
Where	... would we see this in the real world? ... are there similar concepts/situations? ... is there the most need for this? ... in the world would this be a problem?	... can we get more information? ... do we go for help with this? ... will this idea take us? ... are the areas for improvement?
When	... is this acceptable/unacceptable? ... would this benefit our society? ... would this cause a problem? ... is the best time to take action?	... will we know we've succeeded? ... has this played a part in our history? ... can we expect this to change? ... should we ask for help with this?
Why	... is this a problem/challenge? ... is it relevant to me/others? ... is this the best/worst scenario? ... are people influenced by this?	... should people know about this? ... has it been this way for so long? ... have we allowed this to happen? ... is there a need for this today?
How	... is this similar to _____? ... does this disrupt things? ... do we know the truth about this? ... will we approach this safely?	... does this benefit us/others? ... does this harm us/others? ... do we see this in the future? ... can we change this for our good?

* for society, substitute organisation, function, industry, sector, department as appropriate.

In summary

As auditors we work to standards and methodologies but that doesn't mean everything is done by rote that would be boring. Auditors must think critically to add value to their organisations. It is essential to be able to provide insight in addition to assurance and be respected in an advisory role.

Additional reading and support

Transforming internal audit through critical thinking, KPMG

- Short course – [Root cause analysis](#)

This course provides comprehensive teaching and tools for mastering this technique

1 day, 7 CPE points

- Free webinar slides – [Root cause analysis](#)

We outline the concept and skills plus look at how to structure assignments

2hrs, 2 CPE points