

# VALUE CREATION AND THE AUDITOR

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# CONTENTS

- OBJECTIVE
- STATEMENTS OF FACTS ON VALUE CREATION
- CONCEPTS OF VALUE
- PERCEPTION OF AN AUDITOR
- YOUR ROLE AS AN AUDITOR IN VALUE CREATION
- PROFESSIONALISM IN VALUE CREATION
- WHO ARE THOU?
- WHAT IT TAKES TO BE IN C LEVEL
- QUOTES ON VALUE CREATION
- FLASH BACK
- CONCLUSSION

# OBJECTIVE

- ▶ The objective of this paper is to educate auditors on the need to add value to their professional lives through skills, attitude and knowledge with a view to create value to their institutions, organizations or wherever they happen to be.

## STATEMENTS OF FACTS ON VALUE CREATION

- “If you want to grow your way to greatness, put value creation first”.
- “Value Creation tells you where and how to grow”
- “The best way we can build our long term growth potential is by putting Value Creation first”
- “Value creation gives you the ability and talent to grow”
- “A firm is considered great by the ability, capability, skills and competence of its workforce

# CONCEPTS OF VALUE

Accountants are not new to various concepts of value amongst which are:

- ▶ Market Value – This is the amount something can be sold in a competitive market
- ▶ Net Book Value – The net book value of an asset is obtained when provision for depreciation is deducted from the cost of the fixed asset

- Value Added Statement– This is a statement which shows how the benefit which a company has created is distributed amongst the owners of the company, employees of the company, the government and the amount set aside for the maintenance and expansion of the company
- Net Realizable Value – This is the estimated amount which will be realized from the sale of stock in the normal course of business after deducting cost of processing and selling and distribution costs
- Fair Value – The amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller.

# PERCEPTION OF AUDITEES TO AUDITORS

- ▶ Auditees perceive auditors to be “blood hound” or “witch hunters”
- ▶ They keep asking why set up an audit department. If auditees had their way, they would do away with the audit process.
- ▶ They feel audit process delay the time taken to get payment or to get things done.
- ▶ Most people do not like to be audited.

# YOUR ROLE AS AN AUDITOR IN VALUE CREATION

If you must play a role in value creation wherever you are, you need to put quality in whatever actions you take or whatever you do as it affects your relationships.

These roles include:

- Professional Life
- Passion for Work
- Desire for excellence
- Growth capacity
- Openness to change
- Commitment



# Professional Life

- ▶ There is as a saying that you cannot do more than you know. It follows, therefore that you cannot create value for the organization you work for when you do not add value to your professional life. You first add value to yourself before adding value to others. Seek knowledge on better ways you can please your employers, auditees etc

# Continuation on professional life

- ▶ Be honest. Seek the truth. Be ethical.
- ▶ Know your profession and practice it to the best of your abilities on all assignments.
- ▶ Represent yourself in a professional and appropriate manner.
- ▶ Understand your costs and the value of your work.

# Passion for Work

- ▶ Being passionate about your job is more than the old adage "do what you love". It is looking forward to going to work. It is time flying by when you are there.
- ▶ When you are passionate about what you do for a living you enjoy it more. You also do it better. You are more committed to the success of the operation if you believe in it passionately.

- ▶ Putting your passion to work – the trick is not just to feel passionately about your job, but to act passionately too. Use your passion to move projects ahead, to find innovative solutions to perplexing problems, to work through the interpersonal conflicts.
- ▶ Passionate people get more done. They don't spend time worrying about what they have to do next.
- ▶ People who are passionate about their work do a better job. Since they care so much about the work, they do not settle for anything less than their best.

# Desire for excellence

- ▶ Excellence is the act of being good at something or when one performs well. This comes through hard work and being diligent
- ▶ There is a saying in the bible that says “Show me a man who is diligent at his work, he would stand before kings and not mere men”
- ▶ Great quotes on excellence:.
- ▶ Don't just do the right thing. Do things right
- ▶ Being a genius is 1 percent inspiration and 99 percent perspiration.
- ▶ – Alva Edison

## Great quotes on excellence:

i) The more we sympathize with excellence, the more we go out of self, the more we love, the broader and deeper is our personality.

- Edwin Hubbell Chapin

If you want enemies, excel others; if you want friends, let others excel you.

- Charles Caleb Colton

# Growth capacity

- ▶ Your growth capacity is determined by your leadership skills, discipline and perseverance.
- ▶ Cardinal suggestions in growing capacity;
- ▶ Be patient when it comes to growth. Do not be patient when it comes to creating value.
- ▶ Promote reward and celebrate managers who see growth as the outcome of a focus on value creation and who consistently beat competitors in creating value.

# Continuation on growth capacity

- ▶ Always talk about value creation whenever you talk about growth. World class performance should be anchored on value creation.
- ▶ Make clear to the auditees that government fund is available but expensive rather than free.
- ▶ Make clear to the organization that talent is the scarcest of all resources and therefore must be developed to create value by training, workshops etc

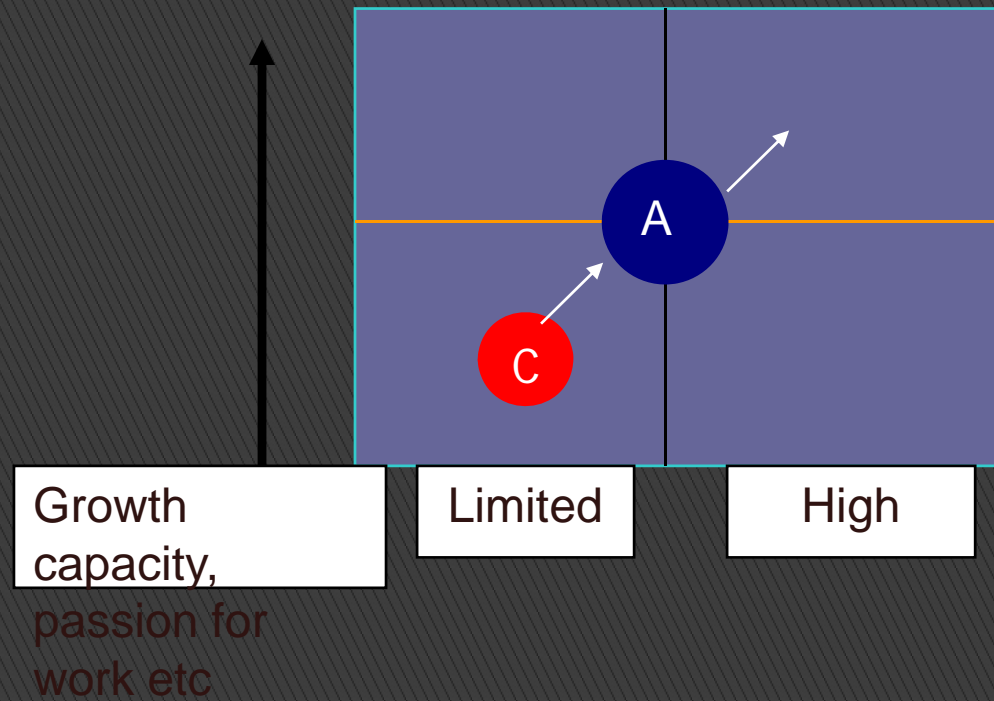


# Openness to change

- ▶ Stoner, et al (1995) describes change as a deliberate design and implementation of a structural innovation, a new policy or goals, or a change in operating philosophy, climate or style.
- ▶ An organization will manifest a change if it alters its structure (redefine the flow of authority, responsibilities and task), technology (introduce new work processes, alter the existing work processes either by reducing or enlarging the content, automating manual processes and / or introducing entirely new technology requiring new skills) and people (alter attitudes, behaviors and perceptions).
- ▶ All these are required for value to be created.

# Commitment

- ▶ Personal commitment is the act or quality of voluntarily taking on or fulfilling obligations. What makes personal commitment "personal" is the voluntary aspect. In particular, it is not necessary that a personal commitment relate to personal interests.
- ▶ Personal commitment is an essential part of a life stance. A life stance is an acceptance of one or more objects as being of ultimate importance.



Who are thou? >>>

Are you a "C" or an "A"?

- ▶ **Number Cruncher**
- ▶ No. cruncher is stereotyped..
- ▶ It has low potential to value

- ▶ **Advisor**
- ▶ Advisor is innovative
- ▶ It has a high potential to create value



# What it takes to be in a “C” level

- ▶ If you just think inside the box, the people above you will be glad to keep you inside the box.
- ▶ Therefore, aspire to be in A- levels;
- ▶ Think – board of directors
- ▶ Research – expectations
- ▶ Communicate
- ▶ Technology Skills
- ▶ Breadth of vision
- ▶ Time Management
- ▶ Volunteer – learn and get noticed

# Flashback

- ▶ Education is “one which discloses the wise and disguises from the foolish their lack of understanding”.
- ▶ It follows, therefore, that “you create value for the organization when you add value to your professional life.”
- ▶ If you just think inside the Box, the people above you will be glad to keep you inside the Box.

# Conclusion

- ▶ In conclusion, most individuals aspire to be world class or great but none seeks to be great.
- ▶ In order to acquire the status of greatness, value creation gives that direction.