

# GLOBAL PERSPECTIVES AND INSIGHTS

Optimizing Talent Management in an  
Evolving Audit Landscape



The Institute of  
**Internal Auditors**

## ADVISORY COUNCIL

Nur Hayati Baharuddin, CIA, CCSA,  
CFSA, CGAP, CRMA –  
Member of *IIA-Malaysia*

Lesedi Lesetedi, CIA, QIAL – *African  
Federation IIA*

Hans Nieuwlands, CIA, CCSA, CGAP –  
*IIA-Netherlands*

Karem Obeid, CIA, CCSA, CRMA –  
Member of *IIA-United Arab Emirates*

Carolyn Saint, CIA, CRMA, CPA –  
*IIA-NorthAmerica*

Ana Cristina Zambrano Preciado, CIA,  
CCSA, CRMA – *IIA-Colombia*

## PREVIOUS ISSUES

To access previous issues of Global  
Perspectives and Insights, visit  
[www.theiia.org/GPI](http://www.theiia.org/GPI).

## READER FEEDBACK

Send questions or comments to  
[globalperspectives@theiia.org](mailto:globalperspectives@theiia.org).

# Contents

Introduction .....	1
Evolving Talent Needs in Internal Audit .....	2
The Effect of Technology on the Talent Market.....	2
Talent Recruitment vs. Development.....	6
Relationship Between Compensation and Talent Supply .....	6
Parallel Mountain Trails Meet at the Summit .....	8
Leveraging Learning Institutions .....	10
Talent Retention .....	11
Talent Motivation .....	11
Millennials .....	13
Women.....	14
Hope for the Best, Prepare for the Worst.....	15
Closing Thoughts.....	17

### About The IIA

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters are in Lake Mary, Fla., USA. For more information, visit [www.globaliia.org](http://www.globaliia.org).

### Disclaimer

The opinions expressed in Global Perspectives and Insights are not necessarily those of the individual contributors or of the contributors' employers.

### Copyright

Copyright © 2019 by The Institute of Internal Auditors, Inc. All rights reserved.



The Institute of  
**Internal Auditors**

### Global Headquarters

The Institute of Internal Auditors  
1035 Greenwood Blvd., Suite 401  
Lake Mary, FL 32746, USA  
Phone: +1-407-937-1111  
Fax: +1-407-937-1101  
[www.theiia.org](http://www.theiia.org)

## Introduction

If you are an internal audit candidate with a background in IT, data analytics, or related tech-based specialties, congratulations. You are the unicorn audit leaders across the globe will be bidding on just for the privilege of basking in the breadth of your knowledge. Life is good, and you will soon have the bank account you have always dreamed about.

One person's dream, however, is another person's nightmare. In today's talent market, audit leaders are losing sleep over how best to maintain functions capable of fulfilling an expanding list of obligations company stakeholders expect of them. As the business risk landscape continues to shift at an ever-increasing rate – driven by emerging technologies, macroeconomics, geopolitics, and more – internal audit functions are tasked with somehow navigating a talent market that is spread thin and demands financial compensation far beyond what some audit functions can offer.

However, no challenge is insurmountable, and this multi-faceted one can be resolved with a comprehensive talent management strategy that spans the entire lifecycle of talent, from recruitment to development to long-term retention. What is needed is an understanding of the factors that have created such a volatile environment for talent, and an informed evaluation of what a talent management strategy should entail.

“...talent means nothing, while experience, acquired in humility and with hard work, means everything.”

– Patrick Süskind<sup>1</sup>

---

1. “Quotable Quote,” Goodreads, accessed September 27, 2019, <https://www.goodreads.com/quotes/460208-talent-means-nothing-while-experience-acquired-in-humility-and-with>.

## Evolving talent needs in internal audit

Recent discussions about the future of internal audit have included more than a tinge of apprehension. This is largely due to the rapidly evolving technological landscape that has not only fundamentally altered the internal audit function itself, but the nature of the risks organizations must learn to identify, monitor, and manage. Both issues are worth discussing in greater detail, as well as the conflicting emotions internal audit leaders commonly have when contemplating how to secure the talent needed to address that dynamic risk setting.

## The effect of technology on the talent market

Any conversation about internal audit's future will inevitably turn to technology and automation. According to a market analysis conducted by PwC, approximately 45% of all work activities today can be fully automated – the majority of these tasks are considered repetitive and routine.<sup>2</sup> From internal audit's perspective, such tasks could include population testing, risk assessments, continuous monitoring of some key risk indicators, data analysis, and virtually any quantitative-based task. With the right technology, each can be accomplished with greater efficiency, accuracy, and at a lower cost than with a human worker. Indeed, for internal audit functions to fully leverage the potential of data analytics, the integration of robotic process automation (RPA) is a must. An article in *Internal Auditor* discusses this relationship and how both can be embraced to provide enhanced assurance for organizational risks. "Data analytics and audit automation platforms provide internal auditors with the means to build assurance at scale whether a novice or expert," according to the article.<sup>3</sup>

Enhanced productivity, however, is not the only benefit such technologies offer. For example, automating repetitive and time-consuming internal audit activities supports smaller, efficient teams – a particular boon for smaller audit functions that historically have viewed their size as a hindrance. Author and futurist Jacob Morgan, writing for *Forbes*, cites concepts that promote the idea that smaller teams are more desirable, including Jeff Bezos' "two pizzas" philosophy (if a team must be fed more than two pizzas, it is too large) and the Ringelmann Effect (named after French philosopher Maximilien Ringelmann, whose study found while one person pulling on a rope will give 100% of their effort, individual effort decreases as more people are added).<sup>4</sup>

"It's no coincidence that smaller organizations are oftentimes more nimble and agile while large organizations look like they are walking through sludge," said Morgan.

On the other hand, will the trend toward smaller, more efficient teams discourage young professionals beginning their careers at the junior staff level? Such conflicts reflect the anxiety being felt across many different industries. For example, in the medical field, specialists may feel threatened by new, intelligent automated platforms that can diagnose diseases and irregularities far more accurately than they can. An article in *The Economist* specifically references one startup, Enlitic, which has technology that proved 50% better at classifying malignant tumors than three expert radiologists.<sup>5</sup>

However, a simple change of perspective can uncover hidden opportunities in the same scenario. Instead of concentrating on what technology can take away from internal audit – and human labor as a whole – it is more productive to take stock of what it cannot take away.

---

2. "Robotic process automation: A primer for internal audit professionals," PwC, 2017, <https://www.pwc.com/us/en/risk-assurance/publications/assets/pwc-robotics-process-automation-a-primer-for-internal-audit-professionals-october-2017.pdf>.

3. James Bone, "Transforming Assurance," *Internal Auditor*, September 12, 2019.

4. Jacob Morgan, "Why Smaller Teams Are Better Than Larger Ones," *Forbes*, April 15, 2015, <https://www.forbes.com/sites/jacobmorgan/2015/04/15/why-smaller-teams-are-better-than-larger-ones/#62cca3151e68>.

5. "Automation and anxiety," *The Economist*, June 23, 2016, <https://www.economist.com/special-report/2016/06/23/automation-and-anxiety>.



“Humans have a secret weapon as they face off against computers in the workforce of the future: empathy. Even as artificial intelligence (AI) and machine learning make greater inroads not only in manual labor but also in cognitive tasks, humans will still have occupational oases in the desert of displaced workers. Jobs that require a one-on-one connection . . . will remain firmly in people’s hands,” said Mohanbir Sawhney writing for *Forbes*.<sup>6</sup>

The need for internal auditors to establish meaningful, productive connections within their sphere of influence – from management to the board to subject matter experts critical for specialized audits such as IT – is as relevant now as it was a generation ago, and those who display the ability to build strong working relationships will always be in demand. As Morgan says in a [LinkedIn](#) blog, “There are no machines or robots that have our ability to connect, empathize, communicate, and sympathize.”<sup>7</sup>

Despite negatives, there is ample evidence to suggest new technologies will have an overall positive impact on employment opportunities for prospective talent. For example, [The World Economic Forum](#) in 2018 released a new estimate that says automation will *create* 58 million more jobs than it will displace.<sup>8</sup> This optimism, though, does come with a caveat – a significant portion of this prospective workforce must display a skill set suited to working collaboratively with the technology.

“Having studied AI, including the work by colleagues in human-machine partnerships, I believe the future will not be computer vs. human, but computer plus human. Rather than being replaced, humans will be redeployed into higher-order jobs requiring more cognitive skills,” said Sawhney.

This will require audit leaders to focus on leveraging talent management strategies that incorporate such skills into their internal audit function, and this will help overcome numerous obstacles such as inherent talent shortages and limited financial resources in the process.

### ***Change in Risks***

Much of this tech evolution is occurring organically, if slowly, within internal audit. However, as the boundaries of technology expand, the risks organizations face also have evolved, and many internal audit functions have struggled to find the talent necessary to provide their organizations adequate assurance against new, dynamic, tech-related risks.

Regardless of industry, the threat of cybersecurity risks looms large and has drawn the attention of risk managers around the world. For example, according to The IIA’s *2019 North American Pulse of Internal Audit (Pulse)*, 81% of audit leaders in financial services described cyber-related risks as presenting high or very high risk to the organization, higher than all other risks by a significant margin.<sup>9</sup> In the public sector, the percentage of audit leaders who rated cyber as a high or very high risk rose to 73%, a staggering 20% increase in two years.<sup>10</sup> And just as concern about cybersecurity has risen across the board, an equal concern has arisen for how internal audit can attract and develop talent to evaluate the controls in place to address cybersecurity, as well as aid management in the implementation of new controls.

Further insight into this concern from the 2019 *Pulse*: “Contributing to the high risk rating [of cybersecurity] is internal audit’s continued struggle to strengthen its skills in this significant risk area. More than half of CAEs [in the survey] identified a lack of cybersecurity expertise among internal audit staff as having an extremely or very significant effect on internal

---

6. Mohanbir Sawhney, “As Robots Threaten More Jobs, Human Skills Will Save Us,” *Forbes*, March 10, 2018,

<https://www.forbes.com/sites/mohanbirsawhney/2018/03/10/as-robots-threaten-more-jobs-human-skills-will-save-us/#27ab21c3fce6>.

7. Jacob Morgan, “The One Thing AI And Automation Cannot Take Away From Us” (blog), [LinkedIn](#), November 4, 2016,

<https://www.linkedin.com/pulse/one-thing-ai-automation-cannot-take-away-from-us-jacob-morgan/>.

8. Hamza Shaban, “Machines will create 50 million more jobs than they displace by 2022, World Economic Forum says,” *The Washington Post*, September 18, 2018, <https://www.washingtonpost.com/technology/2018/09/18/machines-will-create-million-more-jobs-than-they-displace-by-world-economic-forum-says/>.

9. “2019 North American Pulse of Internal Audit: Financial Services Focus,” The IIA, 2019.

10. “Meeting Cybersecurity Challenges,” The IIA, 2019.

audit's ability to address cybersecurity risks.”<sup>11</sup> This echoes the findings from the 2018 edition of Pulse, where 90% of audit leaders reported that it was extremely or very difficult to recruit individuals with cybersecurity and privacy competencies.<sup>12</sup> It is no coincidence that the risks of greatest concern for audit leaders are the risks that expose the most significant competency gaps in their internal audit function.

To fill such talent gaps, internal audit has primarily responded in one of two ways: by cosourcing the internal audit responsibilities related to cybersecurity to either a specialist or other external provider, or by deliberately limiting the scope of the internal audit function only to competencies it possesses. Both options come with risks.

Reliance on a third-party for this vital service comes with its own set of risks. The 2019 Pulse found a significant percentage of CAEs surveyed (21%) described their organization's third-party selection processes as ad hoc, weak, or nonexistent, while 48% described their organization's third-party monitoring processes as ad hoc, weak, or nonexistent. While the data reflects concerns about the organizations' use of third parties overall, CAEs should be aware of such risks within their own functions.

The latter option – limiting the scope of work only to skills already present – is even more problematic. While talent and resource limits always are considerations for internal audit, deliberately restricting its scope seriously threatens internal audit's mission to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Standard 1200 – Proficiency and Due Professional Care of The IIA's International Standards for the Professional Practice of Internal Auditing states that audit engagements “must be performed with proficiency and due professional care,” but internal auditors must take caution not to misinterpret this. IIA CEO Richard Chambers addressed the concepts of competence and the professional care in a recent blog post on the Core Principles for the Professional Practice of Internal Auditing:

“There are two ways to approach this principle. The easy way is to view this as a mandate to never stray beyond areas where we have the necessary knowledge, skills, and experience to provide competent and effective service. Instead, we should challenge ourselves to view this as a mandate to expand our knowledge, skills, and experience commensurate to the demands of our organizations, while making sure we seek out competent advice and assistance in areas where we don't yet have that expertise.”<sup>13</sup>

Intertwined with general concern regarding cybersecurity and IT risks are the challenges posed by growing globalization as seen across multiple industries. According to the U.S. Bureau of Labor Statistics, “The continued globalization of business may lead to increased demand for accounting expertise and services related to international trade and international mergers and acquisitions.”<sup>14</sup> As organizations work to navigate an increasingly complex regulatory environment, they will continue to look to their internal audit functions not just for compliance support, but to take an active role as a strategic advisors to the business. To meet such expectations, internal audit has an obligation to be proficient in all of the competencies such a role requires.

#### Audit Focus

#### IIA Standard 1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

11. 2019 North American Pulse of Internal Audit, The IIA, 2019.

12. 2018 North American Pulse of Internal Audit, The IIA, 2018.

13. Richard Chambers, “Internal Auditors Should Stand on Principles,” *Chambers on the Profession* (blog), *Internal Auditor*, September 16, 2019.

14. “Accountants and Auditors: Job Outlook,” Occupational Outlook Handbook, United States Bureau of Labor Statistics, last modified September 4, 2019, <https://www.bls.gov/ooh/business-and-financial/accountants-and-auditors.htm#tab-6>.

In a perfect world, a comprehensive strategy that prioritizes the recruitment, development, and retention of in-house talent would avoid these pitfalls and go a long way toward helping to validate the role of internal audit to stakeholders. Of course, in the real world, even the best-laid talent management strategies can be disrupted by variables including finite candidate pools, resistance from the audit committee or board, salary limitations, budget restrictions, increased competition for talent both inside and outside the internal audit industry, evolving needs and desires of talent, and much more.

According to Chambers, “[It is] imperative for us to take a steady, analytical approach to addressing our needs. Creating a well-reasoned talent-management strategy improves our chances of success. The stakes are too high to have talent management by crisis.” These challenges must be overcome.<sup>15</sup>

---

15. Richard Chambers, “For Internal Audit, the War for Talent Is Pivotal,” *Chambers on the Profession* (blog), *Internal Auditor*, March 26, 2018.

## Talent recruitment vs. development

No single quote could sum up the challenge of recruiting better than the one uttered by Mark Monroe, vice president of internal audit and risk management for Dentaquest LLC, a \$1.7 billion dental insurer based in Boston, Massachusetts: “I dread hiring. It takes a long time to find the right ones.”<sup>16</sup>

There are numerous reasons why the timeframe for finding the “right ones” can prove troublesome. Some can be easily corrected, while others may require a fundamental shift in focus regarding where candidates are found, how an internal audit function can compete on the open job market, and what exactly classifies as a qualified internal audit candidate.

## Relationship between compensation and talent supply

Interestingly, salaries should be one factor where internal auditors can compete with other professional opportunities. According to *Salary Guide 2020*, a report issued by global human resources consulting firm [Robert Half](#), an internal audit manager in a midsized corporate accounting organization with moderately complex operations can expect a salary of \$116,500, which is \$500 more than an SEC financial reporting manager, identical to a business analyst, and \$17,000 more than an operations manager in the financial services industry.<sup>17</sup>

This, however, is a double-edged sword. While competitive salaries can be viewed as a positive for the workforce and reflects well on internal audit’s desire to offer candidates fair market value, it also places internal audit in the precarious position of straining their board-approved budgets in pursuit of what only amounts to a single piece of a much larger whole.

*OnRisk 2020: A Guide to Understanding, Aligning, and Optimizing Risk*, a new risk report from The IIA, provides a glimpse into how boards, C-suites, and CAEs align in their perception of their organization’s capabilities to manage specific risks. In it, The IIA found that “[while] the C-suite and CAE are fairly well aligned with regards to organizations’ capability to address talent management risks, board members have a slightly more optimistic perspective” (see Figure 1).<sup>18</sup> Such a misalignment, even a slight one, could influence an audit function’s budget. For example, audit leaders may express a greater desire for an expanded budget to compete for talent and address what they view as necessary to filling critical skill gaps in their department, but board members may see such gaps as nothing that cannot be filled using in-house resources. Regardless, the existence of such a misalignment adds a layer of complexity to an internal audit function’s struggle to compete for talent on the open market – at least from a compensation standpoint.

---

16. Joseph McCafferty, “Internal Audit Departments Struggle to Retain High Performers,” MIS Training Institute, June 1, 2017, <https://misti.com/internal-audit-insights/internal-audit-departments-struggle-to-retain-high-performers>.

17. *Salary Guide 2020*, Robert Half International Inc., 2019, report can be downloaded at <https://www.roberthalf.com/salary-guide>.

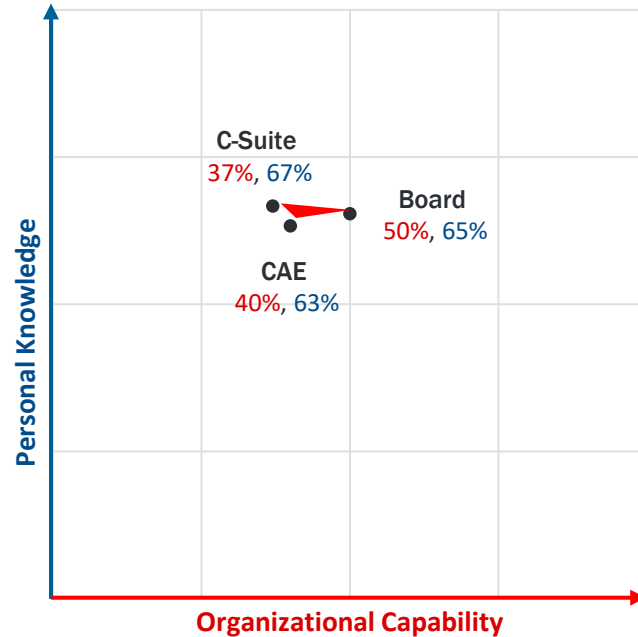
18. *OnRisk 2020: A Guide to Understanding, Aligning, and Optimizing Risk*, The IIA, to be published October, 2019.

The increasing self-awareness of the talent market adds a new wrinkle to this struggle. As demand for talent escalates, so too does the awareness by candidates to their standing in the job market. According to Robert Half, “Companies that offer below-average compensation may lose opportunities to hire their favorite job candidates. The most sought-after accounting and finance professionals are often entertaining multiple offers, and they are showing more confidence in salary negotiations.”<sup>19</sup>

It is important to consider that this conundrum is not limited to just competition between internal audit and other professions; much of this competition occurs among internal audit functions across both geographic and industry lines, resulting in the cannibalization of an already limited internal audit talent pool. For example, economic growth in markets such as China and India has spurred increased employment opportunities that may retain highly skilled talent that might have otherwise looked to the United States or Europe for suitable employment. There are now attractive options in their home countries.<sup>20</sup> As the industry continues to expand and mature in new markets, the more inherent deficiencies in talent recruitment seem to come into focus.

Competition between internal audit sectors should not be overlooked. For example, the struggles public sector organizations have competing against private sector career paths are well known. Compensation in the public sector relies primarily on taxpayers, which offers little fiscal flexibility.<sup>21</sup> Factor in additional considerations such as increased ethical scrutiny, regulatory issues, and legal obligations that private sector workers are not typically subject to, and the challenges of recruiting top talent in the public sector become clearer.

Figure 1: Talent Management Risk Alignment



Note: OnRisk 2020 survey (IIA). How capable is your company when it comes to handling talent management? How knowledgeable are you about [talent management]? Combined percentage for scores of 6 or 7 is reported, with 7 being the highest level. *n* = 83.

19. *Salary Guide 2020*, <https://www.roberthalf.com/salary-guide>.

20. Jennifer Marie Rocks, “State governments and the coming talent shortage,” Deloitte, accessed September 27, 2019, <https://www2.deloitte.com/us/en/pages/public-sector/articles/talent-shortage-strategies.html>.

21. Carol Brzozowski, “Public Sector Employers Facing People Problems,” *Workforce*, January 14, 2019, <https://www.workforce.com/2019/01/14/public-sector-employers-facing-people-problems/>.



## Parallel Mountain Trails meet at the summit

Although finding the perfect candidate from outside the organization is desirable, this is not the only way to improve and expand an internal audit function. For example, a comprehensive in-house training program for less specialized external candidates should be an integral part of an audit function's talent management strategy.

Prioritizing such an initiative, or at least giving it equal focus to recruitment initiatives involving highly skilled candidates, can be extremely beneficial to both the organization and the candidate. For one, trust in an in-house training program allows audit leaders to cast a wider net into the talent pool and give candidates who otherwise do not "check all the boxes" more serious consideration – while avoiding the hefty price tag that often comes with skilled candidates. While specialized IT audit skills make the headlines, there are other skills and traits audit leaders covet in candidates.

Indeed, in response to a question presented in the 2018 Pulse, a greater percentage of audit leaders cited skills such as analytical/critical thinking, communication skills, and persuasion and collaboration as most or very essential to their audit functions' ability to perform its responsibilities over more specialized skills such as basic IT knowledge, data mining and analytics, or even industry-specific knowledge (See Figure 2).<sup>22</sup> With a robust training program in place, an inexperienced candidate who exhibits a willingness to learn offers a welcome alternative in a competitive talent market.

Training programs can be effective in developing markets where the profession is could be less mature. For example, according to Protiviti, there are only 220 Certified Internal

Figure 2: Skill Importance

Internal Audit Skills	Importance
Analytical/critical thinking	95%
Communication skills	94%
Understanding the audit process	85%
Persuasion and collaboration	83%
Business acumen	80%
Understanding of professional ethics	79%
Innovative thinking	77%
Process improvement	67%
Internal audit management/supervision	66%
Accounting and finance	65%
Industry-specific knowledge	63%
Risk management assurance	61%
Basic IT knowledge	60%
Understanding the IPPF®	58%
Governance and culture	56%
Data mining and analytics	50%
Cybersecurity and privacy	48%
Fraud investigations and/or auditing	41%

Note: 2018 North American Pulse of Internal Audit, Q54: Please indicate the degree to which the following skills are essential to your audit function's ability to perform its responsibilities. Percentage of those who chose "most" or "very" essential. n = 636. <https://dl.theiia.org/AECMember/2018-NA-Pulse-of-Internal-Audit-The-Internal-Audit-Transformation-Imperative.pdf>.

22. 2018 North American Pulse of Internal Audit



Auditors (CIAs) in Brazil – home to what is currently the ninth-largest economy in the world.<sup>23</sup> In Volume VIII of its series *Internal Auditing Around the World*, “How Internal Audit Functions Develop Great People,” Brookfield Brazil’s Director of Corporate Audit Services Richard Maingot described his audit function’s approach to addressing even basic competency needs by considering candidates with less-than-ideal backgrounds and training them. “We had to develop the skills they were missing. We put the auditors through a rigorous program that culminated in embarking on the CIA exams via self-study or local courses administered in Brazil. After the auditors complete the CIA certification, we encourage them to obtain other certification,” he said.<sup>24</sup>

An increased reliance on a comprehensive training and development program also allows audit leaders to look inward and consider the talent available in their own organization, or even in their own department. In an interview with The IIA, Edmundo Calderon, chief internal auditor for the city of El Paso, Texas, explained how he saw this benefit firsthand. “The [city’s] IT department had budgeted \$70,000 and quickly found out it could not hire a cyber expert on that salary. Lack of funding is a big challenge, and for cities, it often leaves outsourcing or cosourcing as the only options, and requires securing the funding to do so,” he said. Instead, the city began training a member of the existing IT staff in cybersecurity.<sup>25</sup>

The IIA’s [Practice Guide on talent management](#) offers a variety of strategies audit leaders can implement to enhance their training and development programs including:

**Rotational Recruitment.** Rotational programs provide a training ground for internal candidates from other departments. Additionally, they also facilitate the sharing of best practices and can potentially increase awareness of the role of internal audit among staff outside the internal audit department.

**Guest Auditor Programs.** A guest auditor program can be used to fill competency gaps for specific audit engagements while providing an opportunity for personnel from other parts of the organization to make a short-term commitment to internal audit. A guest auditor typically serves as a subject matter expert on a unique internal audit engagement and can promote knowledge sharing both within the audit department and outside of it. This program is particularly effective in coordination with IT departments.

**Mentoring Programs.** Mentoring programs are largely informal, without official documentation, and present an opportunity for new hires and experienced staff alike to improve their competencies under the eye of someone more experienced and knowledgeable. It is best if the mentor is not the individual’s supervisor.

**On-the-job Training.** On-the-job training is an effective way to provide new hires with hands-on experience performing internal audit tasks. It can also help new staff members learn about core business processes and tasks performed by second line of defense functions such as risk management and compliance.

**Classroom Training/Workshops.** Many organizations have formal in-house training programs to provide specific training based on job roles, responsibilities, and even more technical competencies such as data analytics and fraud control.

#### Audit Focus

##### IIA Standard 1210 – Proficiency

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

23. “Brookfield Brazil – Recruiting, training, and building as a team,” *Internal Auditing Around the World*, Vol. 8, *How Internal Audit Functions Develop Great People*, Protiviti, 2012, [https://www.protiviti.com/sites/default/files/united\\_states/ia-around-the-world-v8-protiviti.pdf](https://www.protiviti.com/sites/default/files/united_states/ia-around-the-world-v8-protiviti.pdf).

24. Ibid.

25. “Meeting Cybersecurity Challenges,” The IIA, 2019.



Outside third parties can also provide this form of training; for example, IIA chapters and affiliates often offer or provide technical training to their members.

**E-learning.** E-learning may be delivered by internal as well as external providers. It provides greater flexibility for scheduling and does not require travel or absence from the office.<sup>26</sup>

## Leveraging learning Institutions

Another strategy that bears special mention and is often overlooked is establishing partnerships with the Academic Relations Committees of local IIA chapters and affiliates that may already have relationships with local colleges and universities. Many are adopting internal audit-based programs that offer students everything from CIA exam training, to certificate notations, to full undergraduate and post-graduate degrees. Such partnerships are beneficial for all parties: internal audit functions get a resource for talent recruitment, training, and retention; students receive enhanced opportunities for internships and full-time internal audit positions; and the learning institutions gain exposure with companies while adding to the overall placement of students in the job force.<sup>27</sup>

Teresa Furnish, information technology audit manager for the Oregon Secretary of State, found this strategy particularly valuable when faced with the financial limitations of the public sector. “Half of my team started in performance audits or financial audits, and we trained them in IT. But in addition to that, we also have a good relationship with one of the local state universities that has a program aligned with the Certified Information Systems Auditor (CISA) criteria, so we find that’s very useful, and we can train them to understand how to work in the government environment,” she said in an interview with The IIA.<sup>28</sup>

Also, from a higher level, the added benefit of internal audit functions actively working to promote the profession to a new workforce generation should not be discounted, especially as aging baby boomers continue their projected exodus from the workforce, leaving a significant workforce gap in their wake. According to the [Pew Research Center](#), an incredible 10,000 baby boomers will reach the age traditionally associated with retirement every day until 2029.<sup>29</sup> As millennials and those in Generation Z replace them, internal audit should be leveraging every opportunity to promote the profession to these audiences and show how rewarding a long-term career within it can be.

To get the most out of such partnerships with IIA chapters’ and affiliates’ Academic Relations committees, audit leaders must ensure that their organizations hold up their end of the bargain and provide value at least equal to the value the learning institutions give in return. Organizations can embrace the opportunity to get creative with internship programs and there are several good strategies to consider, including:

- Develop a summer leadership program where select students are invited to participate in research projects, simulations, company visitations, peer outreach activities, and even presentations to the board.
- Organize case competitions for students. Student teams can submit an abstract, work with a practitioner, and present solutions to an internal audit.
- Create and maintain an active presence at university career fairs.

---

26. “Talent Management: Recruiting, Developing, Motivating, and Retaining Great Team Members,” *Supplemental Guidance: Practice Guide*, The IIA, 2015.

27. “Why Participate in The IIA’s Internal Auditing Education Partnership (IAEP) Program?” The IIA, accessed September 27, 2019

28. “Meeting Cybersecurity Challenges,” The IIA, 2019.

29. Russell Heimlich, “Baby Boomers Retire,” Pew Research Center, December 29, 2010, <https://www.pewresearch.org/fact-tank/2010/12/29/baby-boomers-retire/>.

- Host student awareness events or help sponsor broader awareness events or locally.
- Develop a line of communication with student associations and professors at local universities to advertise scholarships, outreach events, and mentorship opportunities.
- Host or co-host a training event with the learning institution, provided free or at low-cost to students and mentors who participate.<sup>30</sup>

Although talent recruitment at the university level is important, it is unwise to consider it the only source of budget-friendly talent. Even at the opposite end of the talent pool, an audit leader can find significant value.

“An effective strategy I’ve used is to hire seasoned pre- or post-retirement employees from IT, IT security, and accounting, sometimes part time, to continue working and adding value,” said Carolyn Devine Saint, CAE of the University of Virginia’s Office of Audit and Compliance.

The talent pool is an extremely wide spectrum, and an effective talent management strategy should emphasize a commitment to seeking out value from any and all places on it – from students to interns to retirees – with a comprehensive, multi-faceted, and open-minded approach.

## Talent Retention

Humor often is used to defuse challenging or uncomfortable situations, and one joke making the rounds captures the insecurity around internal audit’s challenges with IT talent:

*There are only 10 good IT audit leaders in the U.S. They just keep changing jobs every few weeks.*<sup>31</sup>

The joke plays into two of the largest hurdles facing audit leaders today: the difficulty recruiting highly skilled audit talent, and the difficulty keeping it. It is a cruel irony that no matter how much success internal audit has in showing how much the profession has to offer, or how many resources have been dedicated to developing a highly skilled internal auditor from the ground up, it often can lead to watching the best talent walk out the door.

Without question, no talent management strategy can be implemented to its full potential without paying due diligence to a proper talent retention strategy. However, to do so and seeing productive results, audit leaders must understand the variables in play that contribute to a skilled internal auditor’s decision to stay or go.

## Talent Motivation

There is much more to keeping employees happy than money. While some variables might differ substantially from individual to individual or within certain demographics, there are clear, defining trends and characteristics beyond monetary compensation that prove valuable in the development of a talent retention strategy.

Before honing in one particular demographic, however, it is equally beneficial to zoom out and consider the needs and desires of talent in a broader sense. Studies have a tendency to favor segmentation and specificity, but without an understanding of the big picture, talent management strategies risk becoming too narrow to be viable. Sometimes, by focusing too narrowly on how people are different, it is easy to forget how similar people really are.

For example, a critical factor for employee satisfaction and productivity across the workforce spectrum is his or her level of motivation. While the term has nearly infinite connotations, most can be compartmentalized into one of five categories

---

30. “20 Ideas for Getting the Word to Students About Internal Auditing,” The IIA, accessed September 27, 2019.

31. McCafferty, <https://misti.com/internal-audit-insights/internal-audit-departments-struggle-to-retain-high-performers>.

based on Maslow’s hierarchy of needs, ranging from basic or “physiological needs” to “self-fulfillment” needs.<sup>32</sup> Once basic needs are fulfilled, individuals are habitually inclined to move up the progression in an attempt to reach a state that Maslow called “self-actualization.” Although Maslow was concerned with human needs in the general sense, this framework can easily be adapted for talent management purposes. As a rule of thumb, the closer prospective talent believes the job can help them reach a state of self-actualization, the more they will be motivated to join the team – and stay. These needs are shown in Figure 3, along with examples of each in relation to employment. Compensation falls in the “physiological” category. It does little to promote talent retention on its own.

“Providing competitive salaries and bonuses to your employees is still a must, but don’t make the mistake of thinking high pay will keep employees at your company longer. Money may have been a motivator in getting people to accept your offer and join your company, but money is not a long-term motivator in terms of performance,” said Melanie Holly Pasch, lead communications strategist at [InnerMobility by Gloat](https://www.innermobility.com).<sup>33</sup>

Much of what can be considered a more powerful motivator can be linked to general company culture. Talent wants their work to matter and contribute to something meaningful. Talent wants to be challenged and appropriately acknowledged for their success, as well as proper feedback from management when expectations are not met. Talent wants a defined path that allows for upward mobility in the organization. Talent wants professional stability, but also the flexibility to have a life outside of the office.

All of these factors are culture-related, and they are just as important during the hiring process as they are in the retention process. According to *Salary Guide 2020*, “over a one-third of the workers surveyed said they would decline a job offer if the role was a perfect fit but the organizational culture was not. “Organizational culture sits center stage as a success factor in hiring and retention because it represents of the most important considerations for job seekers,” according to the report.<sup>34</sup> For internal audit to both recruit and retain valued talent – and create a motivation to remain with the company – this new reality must be appropriately addressed in the function’s talent management strategy, and indeed in the talent management strategy of the organization.

Figure 3: Needs Related to Employment

<b>Self-actualization needs</b>	Challenging work Personal responsibility Opportunity for creativity Achievement in work Recognition and praise Promotion and bonuses
<b>Self-esteem needs</b>	Social recognition Job title High status of job Feedback from the job itself
<b>Social needs</b>	Work groups/teams Supervision Professional associations
<b>Safety needs</b>	Health and safety Job security Contract of employment
<b>Physiological needs</b>	Compensation Benefits Working conditions

*Note:* “Talent Management: Recruiting, Developing, Motivating, and Retaining Great Team Members,” *Supplemental Guidance: Practice Guide*, The IIA, 2015

32. A.H. Maslow, “A Theory of Human Motivation,” *Psychological Review*, 1943, <https://psychclassics.yorku.ca/Maslow/motivation.htm>.

33. Melanie Holly Pasch, “Does Money Motivate? Employee Engagement & Compensation,” *InnerMobility by Gloat*, June 10, 2019, <https://www.innermobility.com/does-money-motivate-employee-engagement-compensation/>.

34. *Salary Guide 2020*, <https://www.roberthalf.com/salary-guide>.

## Millennials

According to a frequently cited [Deloitte](#) study, millennials (defined by the American Psychological Association as anyone born between 1981 and 1996), will make up 75% of the global workforce in the next 10 years, and leaders responsible for talent recruitment and retention have made it a top priority to make their professions more attractive to them.<sup>35</sup> Internal audit is no different, but results so far have been mixed.

On one hand, the profession's focus on risk could appeal to millennials. Risk, at least as a basic concept, is something their generation inherently understands. "I cannot imagine that risk, compliance, and internal audit topics are not of interest for this generation," said Daniel Morfin writing for [Digitalist Magazine](#). "This and the next generation are exposed to many more risks than before. Consider just a few examples: fraud and transaction detection, third-party risk management, data security, identity and access management, cloud security, control and power over data, data protection, and so on."<sup>36</sup>

On the other hand, there are aspects of internal auditing the millennial workforce finds less attractive. For example, according to the Deloitte study, "78% of millennials were strongly influenced by how innovative a company was when deciding if they wanted to work there, but most say their current employer does not encourage them to think creatively."<sup>37</sup>

Internal audit, as an industry, has been somewhat conservative adopting new technologies and updating processes, which may not appear ideal to the millennial mindset. For example, according to the 2018 Pulse, only 13% of the CAEs surveyed strongly agreed their internal audit functions are quick to adopt new technologies. Additionally, 62% of CAEs reported their functions were not automating routine internal audit tasks (e.g., RPA) and had no plans to do so, while 71% reported their functions were not automating analysis of audit evidence (e.g., artificial intelligence) and had no plans to do so.<sup>38</sup>

The perception that internal audit has been relatively slow to embrace innovation must change, and audit leaders in coordination with the board of directors and executive management are in a position to do that with some effort. Internal audit should prioritize becoming a leader of innovation within the organization as it strives to improve its ability to provide risk assurance and consulting duties on behalf of stakeholders. According Standard 2100 – Nature of Work, "Internal audit credibility and value are enhanced when auditors are *proactive* and their evaluations offer new insights and consider future impact" [emphasis added]. To be proactive, however, internal audit should be a champion of the implementation of new technologies, including RPA and data analytics, and serve as a leader within their organizations that other departments can envy and emulate. If internal audit can establish itself as a leader on the cutting-edge of the technical revolution, millennials are certain to take notice.

---

35. *Big Demands and High Expectations: The Deloitte Millennial Survey*, Deloitte, January 2014,

<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-dttl-2014-millennial-survey-report.pdf>.

36. Daniel Morfin, "It's Time to Think About the Power of the New Generation: GRC Millennials," April 24, 2019,

<https://www.digitalistmag.com/finance/2019/04/24/its-time-to-think-about-power-of-new-generation-grc-millennials-06197955>.

37. *Big Demands and High Expectations*, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-dttl-2014-millennial-survey-report.pdf>.

38. *2018 North American Pulse of Internal Audit*, The IIA, 2018.

Toby DeRoche, senior market development consultant at [Wolters Kluwer](#), lists some steps internal auditors can take to promote buy-in from the board for technology investment and implementation:

Conduct a critical assessment of the organization's current use of technology.

Conduct an inventory of internal audit's technology tools and create a map linking tools with audit efforts.

Develop plans and strategies for internal auditors to leverage technology and keep pace with technological advancements.

Establish close ties with the organization's IT function to ensure both parties are pursuing complementary strategies and taking advantage of available technological resources and protocols.

Develop a long-term technology strategy.

Develop a comprehensive training program to support current and long-term technology use.<sup>39</sup>

#### Audit Focus

#### Standard 2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

## Women

Another demographic worthy of consideration when evaluating talent retention is women. In a research report by The Center for Creative Leadership in partnership with Watermark titled *What Women Want— And Why You Want Women— In the Workplace*, 560 women were asked why they wished to stay with their current employer.<sup>40</sup> Out of 16 separate responses, the most common reason given was “my job fits well with other areas of my life,” followed closely by “I enjoy the work I do.” According to the report, “Statistically, women were more likely to stay with their employer for these reasons over what might be considered more concrete, traditional reasons such as pay, benefits, or because of their manager.”

Additionally, responses from women regarding the importance of certain benefits on a scale from two to four (slightly important to very important) were measured against responses from men to the same benefits; in the case of benefits such as flexible schedules, working from home, and paid parental leave, women consistently place greater importance on them than men.<sup>41</sup> This implies that, when considering the pros and cons of pursuing a new job or staying put, audit leaders would do well to consider how flexible scheduling would improve their audit function's talent retention rates.

However, while referencing findings such as this can provide value when attempting to evaluate talent management strategies, there are dangers internal audit leaders should consider. As previously mentioned, an over-reliance on differences can cloud the bigger picture. Although there is data to support the assertion that women face employment-based challenges unique to their gender, having a separate conversation about what women value can be counterproductive to much of the progress women have made in the workforce – internal audit included. For example, in a 2016 report issued by The IIA titled *Women in Internal Auditing: Perspectives Around the World*, it was found that, despite persistent obstacles, the gender gap is slowly closing – particularly in North America where 51% of the non-CAE internal

39. Toby DeRoche, “Thinking Like an Auditor: The Millennial Evolution,” Wolters Kluwer, March 1, 2016, <http://www.teammatesolutions.com/the-millennial-evolution.aspx>.

40. Cathleen Clerkin, *What Women Want – And Why You Want Women – In the Workplace*, Watermark, Center for Creative Leadership, July 2017, [https://www.ccl.org/wp-content/uploads/2017/07/WhatWomenWant.FINAL\\_.pdf](https://www.ccl.org/wp-content/uploads/2017/07/WhatWomenWant.FINAL_.pdf).

41. Ibid.



audit workforce, and 52% of CAEs in the educational services industry are women.<sup>42</sup> These are small steps and significant obstacles remain, but such progress was made by *including* women in the talent conversation, not separating them.

Women who possess the capabilities and desire to lead, and deserve to be placed in positions where they have the choice to stay with an organization or pursue other opportunities, do not want special treatment; they want equality and consideration on an even plane. The challenges for audit leaders, then, is to evaluate their talent retention strategies – as well as their recruitment and development strategies – to ensure that diversity of *thought* is prioritized over all else while remaining neutral and free of any biases in any context, whether gender or religion or sexual orientation or otherwise.

Writing for [Construction Executive](#), Sami Barry provided a list of practices and procedures organizations can develop and implement that could prove beneficial in recruiting and retaining skilled women in ways that promote diversity and equality. Although the intended audience is not internal audit, they are still applicable:

- Create an inclusive workplace culture in which men and women are valued equally.
- Brand the organization as an employer that values diversity. For example, provide an equal amount of photos of men and women workers throughout its website and on its social media platforms.
- Remove the subconscious bias of internal recruiters.
- De-bias job descriptions and employment ads. A study by [ZipRecruiter](#) found that by removing gender-biased words in position, descriptions can increase applicants by 42%.<sup>43</sup> Share information about company culture and leadership with ads.
- Highlight diversity and a female-friendly culture when interviewing and have female employees involved in the recruitment process.
- Tailor professional development opportunities that align with female employees' preferences.
- Develop benefits/perks that appeal to women (i.e., family-friendly flexible work policies, professional development and mentoring for women, and maternity and fertility benefits.)
- Measure and report diversity turnover.<sup>44</sup>

## Hope for the best, prepare for the worst

Audit Focus

**Standard 1210 – Proficiency**

42. Margaret Christ, *Women in Internal Auditing: Perspectives from Around the World*, Global Internal Audit Common Body of Knowledge (CBOK), The IIA Research Foundation, 2016,

<https://www.iaa.nl/SiteFiles/Publicaties/Foundation%20CBOK%20Women%20in%20IA%20Sept%202016.pdf>.

43. "Removing These Gendered Keywords Gets You More Applicants," ZipRecruiter (blog), accessed September 27, 2019,

<https://www.ziprecruiter.com/blog/removing-gendered-keywords-gets-you-more-applicants/>.

44. Sami Berry, "Recruit and Retain Women in the Workforce," *Construction Executive*, April 24, 2018,

<https://constructionexec.com/article/recruit-and-retain-women-in-the-workforce>.

There will always be instances where a sound talent retention strategy – even ones that include generous compensation above market value – still results in the exodus of valuable employees. In these cases, audit leaders should not jump to conclusions or panic. Remember, such an event does not necessarily place the existing talent management strategy at fault.

What will put it at fault, however, is its inability to adapt to unexpected change. To remain compliant with Standard 1210 – Proficiency, audit leaders should include a proactive succession plan in their talent management strategy capable of filling any sudden gaps in their audit function and begin the cycle of recruitment, development, and retention anew. According to [IIA Practice Guide, Talent Management](#), succession plans should “identify potential candidates for existing positions, taking into consideration the needs of the organization and the candidates’ career goals, competencies, and potential for development.”

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

N.G. Shankar, president of corporate audit for Aditya Birla based in New Delhi, India, shared with [Protiviti](#) his experiences with losing desirable talent.<sup>45</sup> “India is a good growth market – there are many jobs available. If a talented young professional receives an attractive offer from another organization, that person will probably leave us. That’s just how it is now,” he said. In fact, the state of affairs has become so predictable for his audit function, the function itself has been built around an ongoing cycle of talent succession and development.

“[Auditors] are encouraged to move out of our function, but of course, the right opportunity must be available for them,” he said. He added that “stated policy is to keep people three to five years in our function and then try to move them out to other businesses or roles in the group – unless they prefer to be career auditors.”

This is hardly the only way to implement a succession plan, but it highlights the responsibility of audit leaders to accept that the choices of desirable talent are not always going to go their way. Rather than viewing this as a setback, audit leaders would benefit from considering it as a natural step in the evolution of their audit function, and their talent management strategy should reflect this with a detailed succession plan.

The IIA talent management practice guide outlines simple concepts that will aid audit leaders in the drafting of a sound succession plan that allows their internal audit function to proceed unencumbered and able to perform its duties in accordance with The IIA’s *Standards*.

---

45. “Internal Audit at Aditya Birla Group Enters ‘new dimension in Recruiting and Retaining Talent,’” *Internal Auditing Around the World*, Vol. 8, *How Internal Audit Functions Develop Great People*, Protiviti, 2012, [https://www.protiviti.com/sites/default/files/united\\_states/ia-around-the-world-v8-protiviti.pdf](https://www.protiviti.com/sites/default/files/united_states/ia-around-the-world-v8-protiviti.pdf).

## Closing Thoughts

Although much of this report has centered on the audit leader's role in developing and maintaining the talent management strategy, it is critical that these leaders have the self-awareness to know that the process doesn't belong entirely to them. It also belongs to the board and executive management, as well as the talent itself who implicitly give approval to the strategies by remaining with the company. Internal audit leaders should take the opportunity during the development and implementation of a talent management strategy to listen to employees, consider their own unique perspectives, incorporate their recommendations, and ensure both the board and management are aware of what they have to say.

### Audit Focus

#### Standard 1300 – Quality Assurance and Improvement Program

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

There is always room for improvement. This truism can be applied to virtually every facet of one's personal and professional life. An audit leader's talent management strategy is no different, and room for improvement can be found even if the current strategy seems to be effective. In fact, conformance to Standard 1300 – Quality Assurance and Improvement Program requires CAEs to “develop and maintain a quality assurance and improvement program that covers all aspects of internal audit activity.” Any talent management program that has been approved by the board and implemented within the audit function falls under that criteria.

No talent management strategy should begin and end with a single party; it should be an ongoing, inclusive, and positive conversation where all participants are united by a desire to provide value to the organization. This perspective, along with the implementation of some of the strategies highlighted in this report, should make talent management less intimidating. Even in a landscape such as the one internal audit currently faces, audit leaders have the tools already in place to set their audit functions, and their organizations, up for success.

## About The IIA

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters is in Lake Mary, Fla., USA. For more information, visit [www.theiia.org](http://www.theiia.org).

## Disclaimer

The IIA publishes this document for informational and educational purposes. This material is not intended to provide definitive answers to specific individual circumstances and as such is only intended to be used as a guide. The IIA recommends seeking independent expert advice relating directly to any specific situation. The IIA accepts no responsibility for anyone placing sole reliance on this material.

## Copyright

Copyright © 2020 The Institute of Internal Auditors, Inc. All rights reserved. For permission to reproduce, please contact [copyright@theiia.org](mailto:copyright@theiia.org).

October 2019



The Institute of  
**Internal Auditors**

### Global Headquarters

The Institute of Internal Auditors  
1035 Greenwood Blvd., Suite 401  
Lake Mary, FL 32746, USA  
Phone: +1-407-937-1111  
Fax: +1-407-937-1101