

Despite the pace of change, Internal Audit talent strategies often remain too focused on present day challenges, rather than thinking ahead and adopting a future-focused approach to sourcing, training and developing leading talent. Whilst understandable, taking a short term view is not without its risks. Could winning the battle mean losing the war?

A talent for team building



Introduction

When progressive thinkers come together something interesting happens. Provocative points of view are aired, innovative ideas are shared and challenges that may be well understood get revisited from a mix of different perspectives. As part of our commitment to championing the Internal Audit profession, we were keen to harness that energy and insight. We invited a diverse group of Internal Audit leaders and stakeholders from across the private and public sectors, to help us explore the issues and opportunities facing Internal Audit (IA) functions as they fight to win the battle for talent. Here we reflect on what they told us, and on points of view we have gained through working with IA functions and management across a wide range of organisations globally.

Talent is a major issue for any Head of Internal Audit (HIA). Our panel felt there were three elements critical to building a highly effective IA function – one that can meet, even exceed,

increasing stakeholder expectations and deliver exceptional value in today's complex risk environment.

1. Optimal talent model – achieving a balance of capabilities that allow an IA function to be agile, flexible and the right fit for the organisation.
2. A strong value proposition – an IA function needs to know and be able to share with others, what it stands for. Being clear and consistent about its identity and purpose will, in turn, help to reinforce its impact and relevance. A value proposition is an essential enabler for effective communication to all IA's stakeholder groups about its role, its value, its vision and its appeal.
3. The 'right' leadership – high performing teams are led by high performing HIAs who have secured the attention and respect of the Board. Leadership and tone from the top is critical.

So what is the 'right' model?

Leading HIAs told us about the composition of their teams, the different approaches they took and what worked best for them. All stakeholders, irrespective of their relationship with the IA function agreed that the creation of a flexible model was a priority. Guest auditors' broader and possibly more commercial experience were seen by many as being valuable in helping to bring a different perspective to the work of Internal Auditors.

There was recognition that highly effective IA functions need a solid foundation of qualified 'career' auditors, but also consensus around the important role an IA function can play as an incubator, nurturing talent that will move through to the broader organisation. However, it needs to strike the right balance between pull through that's too quick versus Internal Auditors who've got stuck. It was suggested that functions need to actively encourage a mindset of mobility, seeking out those who are hungry, have a point of view and who are willing and able to speak up and demonstrate their relevance to the business. IA may be the ideal 'hub' for developing talent, helping to build real breadth of skills and experience. However, it also needs to attract a diverse set of talent to meet changing stakeholder expectations. Getting the business to release high calibre people was clearly a real challenge for everyone round the table.

There was also agreement that a rotational model only works if you're attracting flexible and high calibre talent in the first place. Commerciality and a profound understanding of the business were considered key attributes. It was interesting to note that whilst a three year rotational model was seen as a great training ground for leading talent, it wasn't just because of the breadth and depth of development opportunities this offers, but because in our panel's view, working in IA can be enormously challenging – there's a badge of honour up for grabs here!



Embedding IA into projects working alongside the business was seen as essential in terms of an operating model but in relation to building a team two models stood out as being particularly effective:

- i) Build a team in much the same way as a sports coach might, ensuring the right mix of skills is deployed in an optimum and complementary way.
- ii) Focus on third/a third/a third – one third core IA (the bedrock), one third stepping stone (transit pool) and one third co-source (partnering) – a balance of core and specialist skills is essential but not easy to achieve – ensuring the availability of specialist expertise whilst maintaining a strong core and a reputation for getting the basics right.

Internal Audit's image

With so much to offer both prospective employees and stakeholders, the question being asked around the table was 'why aren't more top people flocking to sign up to work in IA?'

As you might expect the answer to that question is complicated. Recruitment and retention both need a lot of focus particularly in terms of building specialist capabilities and it's

a challenge that would appear to impact the private and public sectors equally. Technology expertise was one high profile example of the struggle that IA functions are facing in terms of being seen as an attractive alternative in a crowded and competitive marketplace. We, PwC, are seeing an increasing trend of HIA's seeking to avoid the time and cost of recruiting and retaining specialists, by partnering with professional service organisations.

Reflecting on the topic, an Audit Committee Chair mused that those who work in IA think it's a really great place to work, so with some excellent marketing, it should be easy to attract talent, shouldn't it? On a slightly more serious note, they posed the question 'why is it that people see qualifying as an accountant as valuable for the cv and an opportunity to gain broader business experience, whilst a similar spell in IA, which arguably gives much better experience, isn't always valued in the same way?' It's a good question – maybe there is an important role for effective marketing and projecting a stronger image for the profession.

IA can be a 'shop window' for an organisation. For those wishing to capitalise on this, it's important to tell stories and publicise the breadth of career opportunities IA can open up. What's the story it wants to tell? On

the one had it wants, and to some degree needs, to be all things to all people but when it comes to attracting and retaining leading talent, this could paint a confused picture. It may also be a barrier to engaging stakeholders, preventing them from getting a clear view of IA's true value and potential. This is where investing time and effort to develop a formal value proposition for the IA function can pay dividends. Having a clear value proposition is also an opportunity to level set, to correct misconceptions and offer visibility of things that it may be hard to see from outside the function.

What is a modern Internal Auditor made of?

The wide range of skills and attributes needed by today's Internal Auditors makes for quite a wish list and the pursuit of perfection is perhaps part of the issue. On the one hand they need to be analytical and methodical and on the other it's important for them to be risk-focused and commercial. A particularly interesting challenge faced by some round the table was getting their Internal Audit function more risk focused, willing to have a view and make decisions on imperfect or incomplete information. After all that is what the business has to do.

One stakeholder commented that in the past the role and expectations of an HIA, and indeed of Internal Auditors in general, were arguably a good fit with those of a quieter, more studious disposition but the world has changed. Our panel debated whether IA practitioners have a right to be more confident, in board meetings for example, and make their presence more strongly felt. In their defence the point was made that you need to pick your battles and should it be entirely down to them anyway? Almost certainly not – an Audit Committee Chair should have well-developed EQ and sound judgement and be able to bring in an HIA at the right time. Advocacy is key.

Having said that commerciality and a clear point of view were agreed as crucial in an effective HIA. Senior stakeholders want the 'unvarnished truth' presented by someone who is fact-based, thoughtful and risk-savvy. Stakeholder management and communications skills are sitting at the top of the list, quickly followed by confidence and courage – as one contributor commented *'this is not an easy job and you have to be prepared to stand your ground! HIAs are on a tightrope but it's what makes the job worthwhile!'*

Conclusion – is there a silver bullet for Internal Audit?

The answer, unsurprisingly is no, but the ability of IA functions to attract leading talent from any background is within its grasp. They just need strong leadership supported by the tone from the very top, a clear sense of identity and to think outside the box considering more contemporary ways of working. For example 'cutting a deal' with staff i.e. flexible working will help to attract younger talent with a fresh perspective and a sense of adventure. Create an environment where everyone can tap into that.

The increasingly desirable approach of bringing in specialists from outside of the IA function is a challenging model for IA in many ways. But does this arguably unavoidable step in the evolution of the IA profession have to mean the dilution of its perceived value – or is there, as some organisations seem to have found, a workable compromise?

We can't begin to answer all of these questions here, and in some respects, only time will tell.

One thing is clear, however. You need variety, flex and a melting pot of different DNA to build the best IA function. As in life, imbalance and excess in any one direction will create challenges all of their own. Our own State of the Profession study has shown beyond doubt that agility is the single most important attribute a function can possess today. Whether you're an HIA trying to build a team or an Internal Auditor trying to build a career the best advice would seem to be don't try to second guess what will be required just be ready and able to change.

Eight attributes of Internal Audit excellence



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