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**Internal audit leaders
as talent warriors**
Winning the war for talent,
now and in the future

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Introduction

The role of the internal audit function is evolving to meet the ever-changing needs of the organization. While the core mission of internal audit—to provide assurance that risks and controls are being appropriately addressed—remains the same, future-focused internal audit groups are also acting as trusted advisers to first- and second-line functions and working to anticipate risks before they emerge as events.

In light of digital disruption and emerging risks, internal auditors need to understand strategies and business models, as well as uses of data and new technologies. To match today's pace of business, they need to move from rigidly planned rotational audits to more agile, timely approaches. They need to combine leading-edge skills with traditional audit capabilities to deliver the type, level, and timeliness of service that stakeholders now demand.

Meeting these needs requires new skills and capabilities within internal audit. Traditional audit skills are still needed—understanding of risks and controls, knowledge of business processes and information technology (IT) systems, communication skills, and professional skepticism—but technology-enabled, nimble thinkers, who are more consultative in nature and have strong executive presence are also needed—those who can hold their own with business partners.

That leaves you with the need to tap the right people with the right skills in the right ways—with "the right ways" defined as those skills that enable your internal audit function to keep pace as the organization initiates new strategies, business models, and processes and encounters the associated risks.

Meanwhile, the war for talent rages on. The battle for professionals who fit this model is particularly intense; hence, the need for chief audit executives (CAEs), internal audit team leaders, audit committee chairs, and senior executives who have a stake in the future of internal audit to think of themselves as talent warriors. These warriors do what's necessary to equip internal audit with the skills and capabilities required to meet organizational needs and stakeholder expectations while ensuring that these nontraditional audit professionals are appropriately rewarded and retained.

This document aims to provide internal audit leaders with insights to help win the war for talent, which often means that the leader must evolve. While you may or may not see yourself as a warrior, aspects of the warrior mentality—focused, knowledgeable, supportive, and undaunted—can help stand you in good stead. Like most warriors, you may find that your greatest challenges lie within. You may need to broaden your role from leader of a traditional, reactive function to leader of an innovative, proactive function. In other words, to lead the necessary change, you may need to change yourself.

A four-pillared approach

Deloitte research and client experience has generated a four-pillared approach to help internal audit address talent needs:

1	2	3	4
Identify needed skills and capabilities	**Assess current skills and capabilities against needs**	**Select and implement methods of filling gaps**	**Recruit, reward, and retain needed talent**

Establishing these four pillars can help equip you, as an internal audit leader, to win the war for talent. In the following pages, we have identified the rationale, actions to consider, and target results for each pillar.

PILLAR 1.

Identify needed skills and capabilities

The rationale:
Deloitte research has identified missing skills or talent as the most common barrier to internal audit's ability to make more of an impact within the organization. In Deloitte Touche Tohmatsu Limited's (DTTL) recent Global Survey of Chief Audit Executives, missing skills or talent was cited as the key challenge by 37 percent of respondents (with 27 percent citing insufficient budget, the next most common barrier).[1] In that survey, the leading strategic priorities cited by respondents were implementing analytics, strengthening talent pipelines, partnering with the business, and enhancing quality. (Note that strengthening talent pipelines circles back to the key challenge.)

Without the right skills and capabilities, internal audit will likely not be able to act on strategic priorities, nor keep pace with stakeholders' evolving needs and expectations. Thus, a key question for internal audit leaders to ask is:

What skills and capabilities does my function require, now and in the future?

Actions to consider:
To answer that question, you need a clear understanding of organizational strategies and initiatives, enabling technologies, and needs for assurance and advice. Interviews with and surveys of stakeholders in first- and second-line functions can contribute to that understanding while helping to identify their expectations. Also look to industry and regulatory issues affecting your organization and to areas where greater efficiency and effectiveness are needed.

Ask yourself:

- What would it take in terms of talent to address all needs and opportunities in our organization, including those that are emerging?

- Which skills and capabilities would be needed to address our organization's highest strategic priorities?

- What mix of skills and capabilities do we need right now? What mix will we need in one year, two years, and in three to five years?

- How do we want our relationships with stakeholders, senior leaders, and the board to evolve?

Be aspirational in considering the kind of internal audit function you want and need to have. That entails looking ahead and thinking beyond the status quo.

Target result: Inventory of needed skills and capabilities
Work to develop a dynamic inventory of skills and capabilities that internal audit should maintain in-house and be able to access either within the larger organization or externally through traditional and nontraditional sourcing methods.

This inventory should be updated periodically and as new needs for assurance, advice, and risk anticipation arise in the organization, industry, and regulatory environment. This inventory should also track skills and capabilities that may be needed in the future as the organization grows and evolves.

> "Our dedicated talent team within internal audit helps us to analyze talent needs, establish requirements and needed credentials, develop training programs, and recruit and retain the best talent in the industry. Internal audit is a people business, and this ensures we prioritize what is important to our team."
>
> **Christine Katziff, chief audit executive, Bank of America**

Perform a gap analysis against needs

The rationale:

A robust, formal assessment can enable you to gauge current capabilities against current and future needs (as determined in pillar 1). You may define existing skills as those that reside within internal audit and include those you regularly access within the larger organization, for example through guest auditor or rotational programs, or externally through cosourcing or outsourcing. The goal is to identify skills and capabilities needed, now and in the future, which you lack or cannot adequately access.

Most internal audit groups need greater access to:

- **Updated auditing skills**, such as those needed to provide assurance and advice around uses of robotic process automation (RPA) and algorithmic models within the organization

- **Technological skills**, so that internal auditors can apply advanced analytics, intelligent automation, and data visualization to enhance the effectiveness and efficiency of audit work

- **Agile methodologies**, particularly application of Agile to internal audit planning and execution

- **Industry and subject-matter knowledge**, so they can better understand business strategies, models, and processes, as well as evolving risks and regulatory expectations

- **Soft skills**, including communication, executive presence, team-building, leadership development, interviewing, storytelling, and the ability to foster more open and collaborative relationships with stakeholders

These capabilities are needed in addition to the skills, objectivity, independence, skepticism, and critical thinking of the traditional internal auditor.

Resources for developing talent

Skills and capabilities can often be quickly and inexpensively developed through certification programs. For example, external providers offer courses that impart core internal audit skills, as well as capabilities tailored to specific needs.

Available courses include those covering:

- Information technology, such as advanced IT auditing, cloud computing for auditors, internal audit data analytics and automation, and privacy and data protection

- Fraud and anticorruption, such as fraud investigation tools and techniques, internal auditing for the Foreign Corrupt Practices Act and anticorruption and purchasing fraud

- Soft skills and specific methodologies, such as Agile internal auditing, critical thinking for internal auditors, effecting change through internal audit reporting, and internal audit storytelling

In addition, certifications such as Certified Cloud Security Specialist and Certified Fraud Examiner and in areas such as risk management assurance, cyber security fundamentals, and project management are relevant to internal audit. More innovative trainings include RPA and artificial intelligence (AI) courses and courses awarding a Certification of Professional Achievement in Data Sciences and the designation Certified Analytics Professional.

A word of caution: Ascertain that an ongoing need for capabilities exists so that staff will have ample opportunities to use the skills they acquire in formal programs.

Actions to consider:

Discuss skills and capabilities of every professional in your function with internal audit team leaders and gauge the potential of staff to learn new skills and update their capabilities. Gaps should be assessed in both a top-down and bottom-up manner and the results of each approach compiled and compared. Employees should rate themselves, managers should rate employees based on current maturity and potential for future growth, and the results should be subject to review, challenge, and reconciliation.

This needs to be done objectively and rigorously, as opposed to pro forma exercises that simply accept or tweak current skill sets. In other words, rather than aiming to audit internal audit's existing capabilities, identify key issues and risks and define the capabilities needed to address them as an internal audit function.

Also, consider certifications currently held by staff, as well as certifications that can enhance their skills or evidence capabilities in new hires or external talent. For example, DTTL research has found that the designations and competencies as noted to the right are most often sought by internal audit leaders.[2]

Note that analytics expertise or experience (45 percent) is as sought-after as the CPA or equivalent designation (46 percent). Also, internal audit functions seeking other competencies—19 percent, or nearly one in five—may include those seeking polymaths (people who combine diverse skill sets) and "purple people" (those who combine data analysis skills, or "red skills," with communication skills, business acumen, and political sense, or "blue skills"), both of which are becoming increasingly useful in internal audit.

Target result: Skills gap analysis

Implementing this pillar should help identify the skills and capabilities that reside within the function and that internal audit regularly accesses within the larger organization or externally. This gap analysis should also portray the specific skills and capabilities that internal audit currently lacks—or lacks in sufficient quantity or at the desired level—and needs to acquire if it is to fulfill its mandate and stakeholders' needs and expectations, now and in the future.

Performed with sufficient objectivity and a strong focus on clear needs, this gap analysis can be used to make the case to senior executives and the audit committee for upgrading and updating internal audit capabilities. A true commitment to internal audit—and to risk management in this disruptive environment—calls for senior leadership support and for funding that enables the function to fulfill stakeholders' needs and expectations.

53%
Certified internal auditor (CIA)

46%
Qualified accountant (CPA or equivalent)

45%
Analytics expertise or experience

44%
Certified IT auditor (CISA or equivalent)

20%
Expertise or experience with specific regulators

19%
Other competencies

PILLAR 3.

Select and implement methods of filling gaps

Internal audit leaders have an unprecedented range of options for filling skill gaps. These include methods of developing current staff, tapping talent within the larger organization, and accessing external talent. Developing current staff means providing apprenticeships, training, rotations into first- and second- line areas, and strong support for certification programs. Tapping talent within the organization can be done through guest auditor programs and rotations into internal audit. External talent can be accessed through cosourcing and outsourcing. Both can be supplemented through less traditional methods, such as gig workers and crowdsourcing, leveraging resources within the larger organization or external parties to fill gaps. Besides filling internal audit's needs, these ways of working appeal to multiple generations of workers and can boost employee engagement and satisfaction.

However, internal audit functions do not appear to be taking full advantage of talent sourcing options. DTTL's recent Global Chief Audit Executive Survey found the following usage of common alternative talent sourcing models (that is, alternatives to on-staff internal auditors) among respondents:[3]

An alarming 23 percent of respondents use no alternative talent sourcing method, choosing to rely only on full-time internal audit staff. This, together with the relatively low percentages using alternative methods, may indicate reluctance to accept that the traditional on-staff-only model is becoming outdated for internal audit.

36%
Cosourcing

25%
Occasional use of external resources

19%
Outsourcing

19%
Guest auditor programs

6%
Rotational programs

Actions to consider:

Adopt an open, can-do approach to fulfilling internal audit's talent needs. If the need exists, then the talent needed to address it also exists; the challenge is to decide whether to "build" or "buy" and how to develop or access that talent. To the extent that the internal audit function is focused on enhancing their digital capabilities, analytics and automation skills may be available in-house. Specialists in product or systems development can provide primers on Agile methods. Guest auditor and rotation programs can tap skills available internally and expose audit staff and nonauditors to one another's specialties.

Given the range of sourcing methods, the question of when to use which method often arises. You may find the following two guidelines useful in answering that question:

- **When a skill will be needed in the long term**, giving current staff robust training, as well as incentives to pursue certifications, can permanently fill talent gaps while creating an environment of continuous learning and improvement. Such an environment can better prepare internal audit and the organization for digital disruption, emerging risks, and evolving opportunities. That is also an environment in which both new and experienced staff can grow and make change, which helps in attracting, motivating, and retaining motivated people.

- **When a skill will be needed in the short term**, seasonally, or for unexpected surge workloads, cosourcing, outsourcing, or nontraditional sourcing methods may be preferable. To access internal talent, guest auditor programs may be most useful. Internal or external "gig workers" can assist with short-term specialized skills, such as building a data visualization dashboard for audit reporting. An external crowdsourcing platform can access people who, for example, understand the risks of a particular application of blockchain. Moreover, their external point of view may help you develop your own approach to the task.

Also, weigh the importance of knowledge transfer as you access talent. When the goal includes having internal audit staff learn the skills or develop the capabilities being tapped, the cosourcing model—or other model—should include a knowledge transfer framework through which internal audit skills are augmented by the practices introduced by the third party. This may require more coordination and investment in staff than a model that does not include knowledge transfer.

Target result: Talent pipeline plan

The activities associated with this pillar position you to develop and access needed talent, now and over the next several quarters and years.

This pillar should produce a clear plan for building the talent pipeline, which should cover the skills you will need, when you will need them, and how you plan to access them. It would be wise to identify both primary and secondary sources for accessing them, particularly for skills in high demand in your organization and in the marketplace.

These activities should also, with the first two pillars, enable you to develop a business case based on the costs and benefits, and thus to address the "build-or-buy" decision that often arises when looking to fill gaps in capabilities. With a clear picture of your talent needs and your options for meeting them, you can present senior leaders with an array of decisions in which "doing nothing" will rarely be the preferred choice when facing a talent gap.
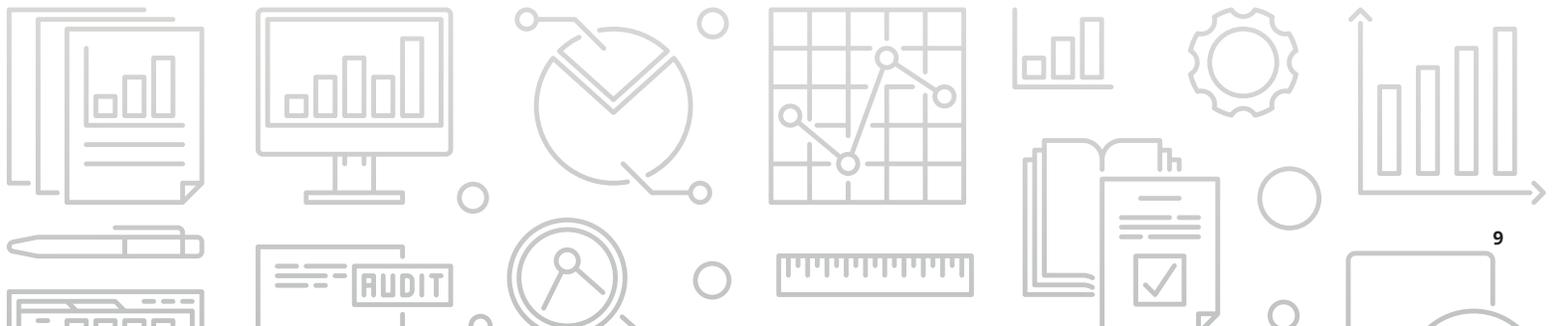
PILLAR 4.

Recruit, reward, and retain needed talent

The rationale:

Internal audit will be increasingly staffed by a broader spectrum of people, some of whom will not be traditional auditors and some of whom won't technically be on staff. Internal audit leaders need to understand on a discipline-by-discipline or person-by-person basis which recruitment strategies and rewards programs will best identify, motivate, and retain specific types of talent and people.

This calls for a rich mix of motivators and rewards. For example, a data scientist may be motivated by access to the newest technologies and opportunities to use them in impactful ways. Other specialists may be motivated by preparation for a career in a second-line function or in the business. Bottom line: The traditional career path of rising to a leadership position or the ambition of rising to chief audit executive have become far less prevalent.

One size will not fit all, which means that you need to be more intentional, creative, and dynamic in your approaches to recruiting, motivating, rewarding, and retaining talent.

Actions to consider:

How you list available positions and required skill sets can benefit from an outside-in view. For instance, candidates applying for a senior internal audit role would likely differ significantly from those responding to an innovation or digital transformation focused posting.

Rotational programs within internal audit and elsewhere in the organization can provide people with varied experiences, as well as useful career building blocks. Apprenticeship programs can also work in this regard, particularly for new hires and people early in their careers.

A financial institution has a two-year apprenticeship focused on data-related disciplines; then the individual can decide where to go in terms of career path and fit. Another internal audit function enables new hires to work for six months in the data analytics group before they assess business processes and conduct audits. Such programs can pay big dividends, given the importance of data to organizations and the persistent shortage of people with data-related skills.

Listen to your people. If you ask them, they will tell you about their goals and ambitions, which may differ from your own. They will also tell you what motivates them. For example, we have found that internal auditors on teams employing Agile methods report higher levels of engagement in their work.[4]

> "Our two-year Corporate Audit Analyst Program gives new campus hires rotational assignments within internal audit, for example in data analytics and intelligent automation, as well as auditing different areas of the bank. This multiphase program, which includes live training from senior-level mentors, develops well-rounded auditors who understand how to apply technology in internal audit."
>
> **Kevin Thalinger, senior audit director of Workforce Enablement Team, Bank of America**

A robust retention program might include not only a wide range of relevant courses at various levels of competency and complexity, but also incentives for obtaining training and certifications. The goal should include creating an identity of inquiry, intellectual curiosity, and continual learning within internal audit.

Strive to maintain an evolving, innovative, ethically sound internal audit culture—characteristics generally valued by newer, younger workers, who tend to see stasis, boredom, and lack of values as strong negatives.

The result: Talent motivation and retention program

This pillar generates programmatic ways of recruiting, motivating, rewarding, and retaining talent. Internal audit is well-positioned to provide talented employees with interesting content, vast understanding of the business and industry, intellectual engagement, and opportunities to use technology. Making the function a magnet for talent within the organization and externally may require repositioning and rebranding, yet a good number of groups have done that.

How?

They have lent substance to their repositioning and rebranding efforts by adopting new approaches, engaging with stakeholders in new ways, addressing emerging risks, and meeting higher expectations.

Onward toward victory

Whether overcoming challenges on the battlefield, the playing field, or other arenas, warriors set clear objectives, develop a plan of action, equip themselves accordingly, and execute with diligence and determination.

Given the risks and opportunities that organizations and their internal audit functions now face—and the strategic and financial stakes—there is little reason to accept lack of talent as a barrier to fulfilling stakeholders' expectations, and every reason to use all of the resources at your command.

Internal audit ⟷ Talent magnet
Internal audit should be a magnet for talent. The function exposes people to virtually all operations, processes, and data within the organization. It is also, at its best, a function that advises management on strategic decisions and initiatives, uses of technology, and key risks to the organization.

To make your function a magnet for talent within—and outside—the organization:

• Strive to make internal audit every bit as innovative as the organization, particularly in areas such as applying new technologies and adopting new ways of working.

• Commit to making the internal audit brand and the narrative strongly positive among stakeholders and to delivering relevant insights, advice, and risk anticipation.

• Use crisper, shorter, more visual, and more business-oriented (rather than compliance-oriented) reporting formats.

A strong brand within the organization can attract talent. So should the view that internal audit represents a great opportunity for career acceleration, which successful rotation programs can help establish. As the function becomes more engaged, forward-looking, and innovative, it will attract like-minded people.

This is an exciting time to be in internal audit, and that story needs to be told.

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Endnotes

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