



Chartered Institute of
Internal Auditors

Public sector internal audit career paths

A public good





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Foreword

Working in the public sector is a rewarding career for many internal auditors who want to contribute to society and make a real impact on individuals and communities.

Attracting and retaining top talent is critical to the success of any high performing internal audit function. To do this, organisations need to foster a reputation as a place where people want to work and are able to develop. The Chartered IIA has tried to get a better understanding of why internal auditors chose a career in the public sector by looking at their career histories, mapping out what their expectations were and if these were met. We also aimed to identify essential skills for internal auditors in this demanding environment.

The public sector in the UK and Ireland has been hit hard financially in recent years; recruitment, as a consequence, has been a challenge. Internal auditors working in the public sector are forced to do more with fewer resources. At the same time, the demands and expectations of stakeholders are increasing and service users are becoming less tolerant of poor practice or wastage.

We were impressed by how passionate public sector internal auditors are; they are fully committed to their job and it was pleasing to learn that most want to stay in the public sector, even though they acknowledge that career options can be limited compared to the private sector.

Over 200 of our public sector members participated in this research, sharing their career history so we could ascertain a better understanding of their professional journeys. This highlighted what future internal auditors can expect from a career in internal audit and the skills needed to be successful.

We are grateful to all those respondents and interviewees who shared their career history with us. We hope that this report will help inform decision-makers in the public sector about the necessity to invest in internal audit functions and auditors' professional development to ensure internal audit is able to deliver.

Dr Ian Peters MBE
Chief Executive
June 2018

Executive summary

- Future recruitment in the public sector will remain challenging as current budgetary constraints make attractive salaries, training and learning and development opportunities difficult to offer. Public bodies are struggling to attract the talent they need to successfully deliver assurance to key stakeholders, especially in the technology area, e.g. social media, big data and so on.
- Public sector internal auditors praise the variety of their work and generally enjoy working in the sector with some notable differences between central government, local government, and the NHS. The majority of the survey respondents and interviewees said they would prefer to stay in the public sector if they could. Respondents said they especially enjoy the variety of their work, the exposure it gives them to senior leadership, and the added value their work provides the organisation.
- The top three career barriers in the public sector that were identified were: “not enough opportunities in the internal audit function”; “lack of roles available in the organisation”; and a lack of “transparent career paths”. Public sector internal auditors feel that there are limited opportunities to grow professionally due to low turnover and limited funding.
- More than three quarters of the survey respondents said they are aware of the skills they need to advance in their career. According to our interviewees, a public sector internal auditor must possess the following soft skills: insight, communication skills, an inquisitive mind, cultural fit and sound judgment.
- IT audit is the area most frequently mentioned as being a challenge for public sector auditors. Public bodies often either outsource this or collaborate with other organisations. More learning and development in the areas of IT audit and soft skills were among the top areas listed where more guidance and support are sought.

Introduction

In 2018, with Brexit still largely unknown, new regulatory changes, a challenging financial climate and ongoing demands from boards and audit committee to do more with less, internal audit functions in the public sector are struggling to attract the talent they need to meet these and ever more demanding requirements. To successfully deliver public accountability and high quality assurance to the board and audit committee, public sector internal audit functions will need to be robust to maintain visible accountability.

Attracting and retaining top talent is critical to the success of any high-performing internal audit function. Internal audit is a profession that continues to evolve with the fast pace of regulatory and technological developments.

Internal auditors are in the position to support their organisations to rebuild lost trust by providing assurance that the appropriate controls to manage services are in place and provide insight into the effectiveness and soundness of a public body's inner workings. In order to do so, it is vital that the public sector recruits and retains the best and the brightest.

More than 200 Chartered IIA public sector members participated in this research, sharing their career history with us to get a better understanding of their professional journeys and to provide an insight into the current state of public sector internal audit. In addition, we also collated private sector responses through interviews to benchmark and provide a comparative perspective.

Internal audit stereotypes

There are many incorrect perceptions of internal audit that have developed over time and some have, unfortunately, been perpetuated by auditors themselves. Changing these negative perceptions takes time and internal auditors in all sectors need to work hard to change them. But what are some of these perceptions and are they real?

NOT SUITED FOR PRIVATE SECTOR

Several private sector interviewees we spoke to told us they are hesitant to recruit auditors with a public sector background as their perception is that they are not as skilled, dynamic and experienced as their private sector counterparts.

However, our public sector interviewees believe that their experience and skills would be greatly beneficial to private sector organisations as the scope of their responsibilities far outweigh those of an average private sector organisation. In local government, for example, a single internal auditor may be required to audit a diverse range of areas, from children and adult social care, to libraries and cemeteries, and from waste disposal to fire protection.

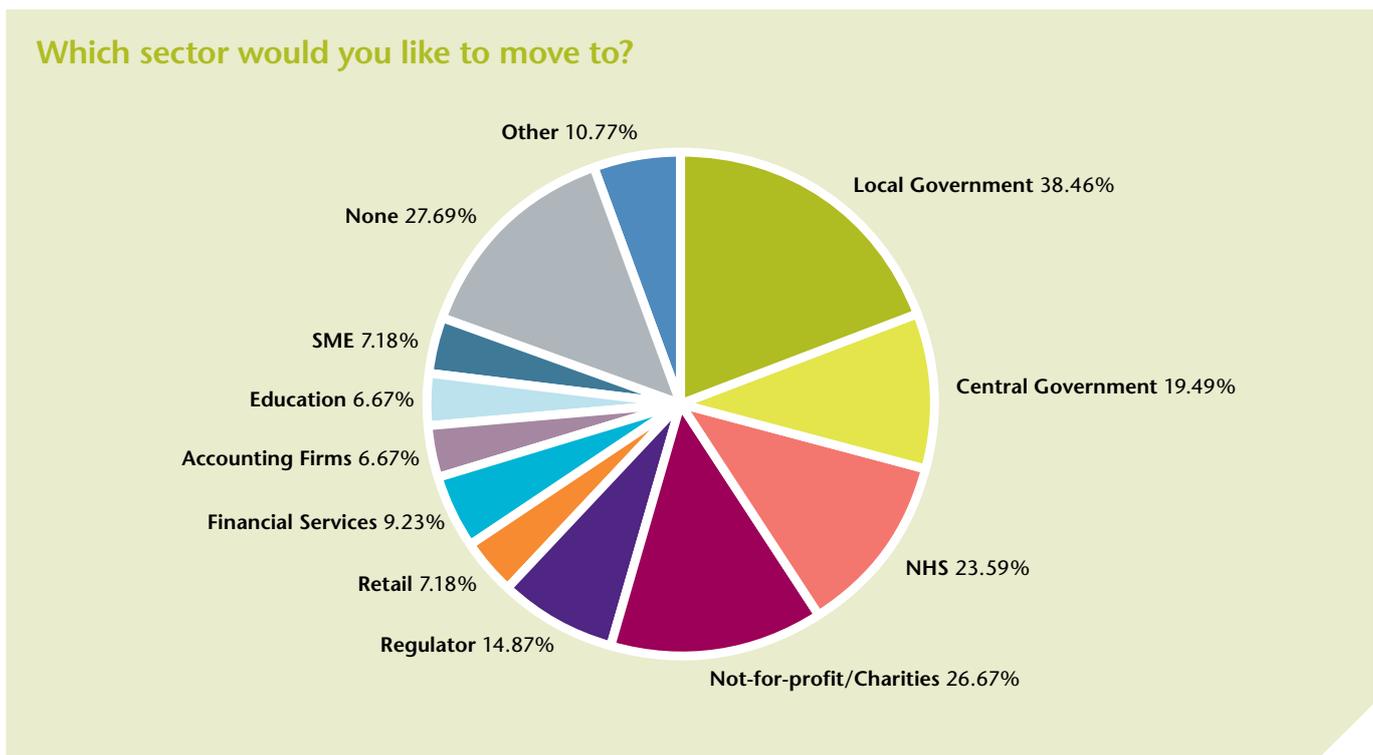
Several internal auditors told us that they have struggled to find a private sector internal audit job because of their lack of experience in this particular sector; which is perceived to be a weakness in the

development of their skill set. Perhaps therefore, when asked which sector they would like to move to, our survey respondents indicated a strong preference to stay in the public sector.

WORK/LIFE BALANCE

Many of the interviewees valued their work/life balance and the flexibility of their employers on matters such as working from home or moving from full-time employment to part-time. The perception of some public sector auditors was that private sector organisations might not be so accommodating due to the fast-paced work environment, high pressure and organisational culture.

Although many interviewees said the scope of their work is expanding, their work/life balance seems to have remained steady or even improved. Internal auditors working in local government and NHS told us that their working hours tend to be normal office hours; they are rarely required to work at the weekend; they receive a good pension; and they valued the fact they were working close to home. Whether this is sustainable remains to be seen as many interviewees indicated that a rising workload and more co-sourcing between public sector bodies might negatively influence their work/life balance.

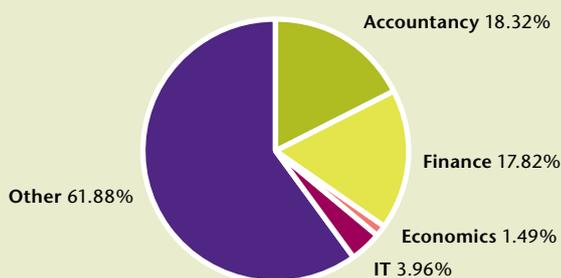


ALL INTERNAL AUDITORS ARE ACCOUNTANTS

One of the most common misperceptions about internal audit is that auditors are all accountants who focus solely on their organisations’ financial records. This perception may prevent young and talented people believing they can have a successful career in internal audit.

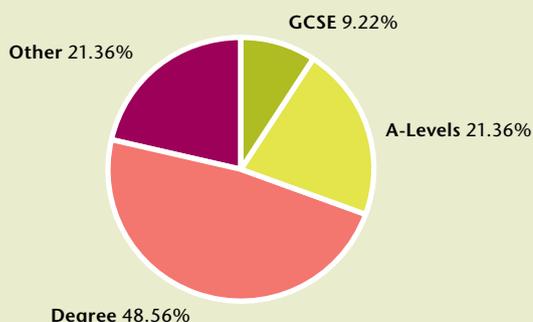
Internal audit is a varied role and individuals come from a range of backgrounds and levels of education. For instance, of our survey, only 18 per cent had an accounting background and just over 17 per cent a finance background. Almost two thirds of our respondents come from a varied background, such as civil service, HR, administration, law enforcement, operational, or straight from university.

What was your professional background before becoming an internal auditor?



With regards to educational background, 52 per cent have a university degree. The highest educational qualification of 30 per cent of the respondents was A-levels or GCSEs. Many of our senior interviewees, however, told us that they will only consider candidates if they have a university degree.

What was your highest educational qualification when you started your professional career?

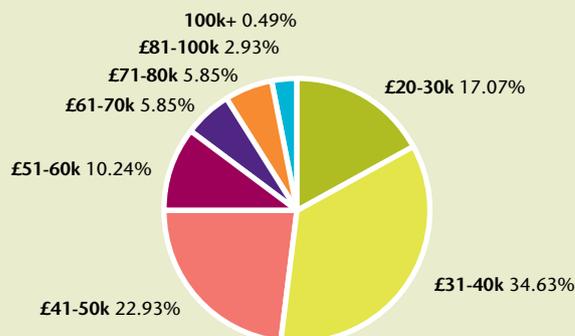


LIMITED RESOURCES

The global financial crisis brought financial difficulties for both private and public sector organisations. Both suffered downsizing, cost constraints and significant redundancies. In the public sector, local authorities and NHS organisations have especially been forced to dramatically cut their expenditure. After seven years of restraint, many public sector bodies struggle to weather the financial pressures caused by budget cuts. For internal audit to adapt these changes, it needs to have the capability and resources to respond.

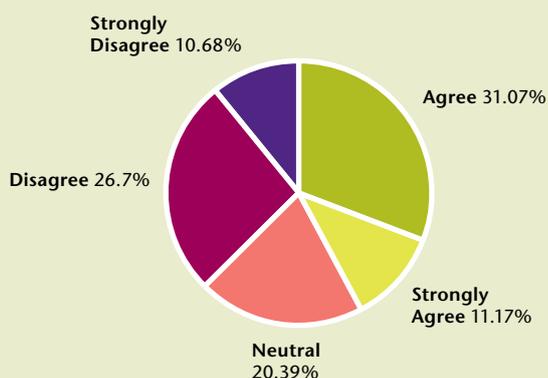
When asked whether they were satisfied with their salaries, most of our interviewees indicated that they were. Some mentioned though that their salaries would most likely not be sufficient in the south-east of England as the cost of living in this area is significantly higher.

What is your salary range (FTE)?



Public sector interviewees felt there are limited opportunities to grow professionally due to low turnover and limited funding, often perceived to be waiting for senior managers to retire or move out of internal audit. Forced restructuring and existing legacy issues greatly exacerbate this. When we asked about their career barriers, our survey respondents listed “not enough opportunities in the audit function” and “no roles I want are available”, as their biggest obstacles (resp. 60 per cent, 36 per cent). To the question whether their organisation offers sufficient career opportunities, more than a third disagreed or strongly disagreed.

My current organisation offers sufficient career opportunities to achieve my career goals



A decline in public sector recruitment is an ongoing trend as there is no certainty that a vacancy will be filled externally. This is in line with what our interviewees told us as they’re often not allowed to recruit externally, but if they are, they struggle to attract interested candidates as the demand and salaries are higher in the private sector.

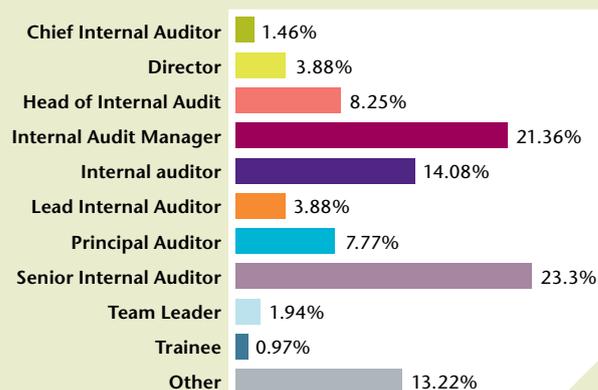
A SECOND CAREER

Only 30 per cent of our public sector interviewees actively chose a career in internal audit whereas the others entered the profession due to changes in circumstances, professional opportunities or by good luck. When asked if they were moved into internal audit by their organisation, almost three-quarters (72 per cent) of our survey respondents said they moved to audit voluntarily. Of our private sector interviewees, a significant portion moved into private sector internal audit after having worked previously for professional services firms.

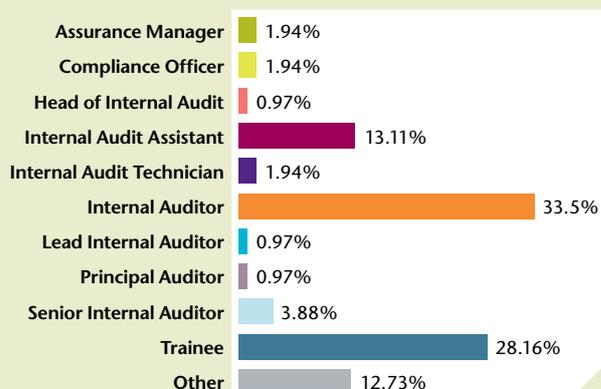
Interviewees in both sectors underlined the importance of having had exposure to other areas in an organisation before joining an internal audit function as having worked on an operational and strategical level shows employers that you possess the knowledge of areas you are asked to audit.

Of the 206 respondents, the job titles most heavily represented were ‘senior internal auditor’ and ‘internal audit manager’. It is interesting to note that many of the respondents either started their careers in internal audit as a trainee (28 per cent) or as an internal auditor (33 per cent). This shows that it is possible to stay in internal audit, progressing from junior auditor to senior audit management.

What is your current job title?



What was your job title in your first internal audit role?



The general feeling amongst our interviewees was that internal audit is slowly becoming a first choice of career due to the growing recognition of its value to organisations and its increased profile in many organisations.

Key themes

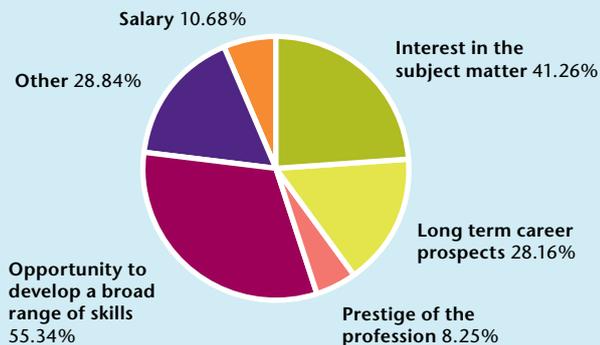
WHY INTERNAL AUDIT?

For internal audit to be as effective as possible it needs unlimited access to all areas of an organisation and it is this exposure to the wider organisation that makes it such an attractive profession to many.

Auditors especially enjoy the variety of their work, the exposure it gives them to senior leadership, and the added value their work gives to the organisation as it can have a great impact in the way an organisation operates.

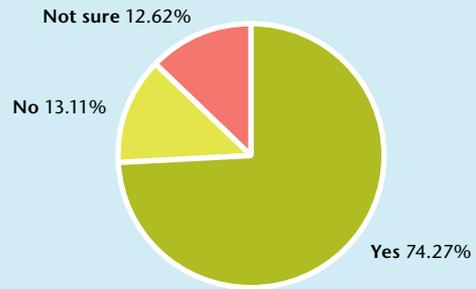
We asked our members what their motivation was to choose a career in internal audit and more than half (55 per cent) thought it was a great opportunity to develop a broad range of skills, followed by having an interest in the subject matter (41 per cent) and the long-term career prospects it gives (28 per cent).

What attracted you to a career in the profession?



The majority of our interviewees had little knowledge of internal audit prior to becoming an auditor and some never expected to make a career out of it. Over time they developed a liking for internal audit and 69 per cent of our online survey respondents said they would like to continue to work in internal audit. When asked if their first job in internal audit met their expectations in terms of job satisfaction, almost three-quarters answered yes.

Did your first job in internal audit meet your expectations in terms of job satisfaction?

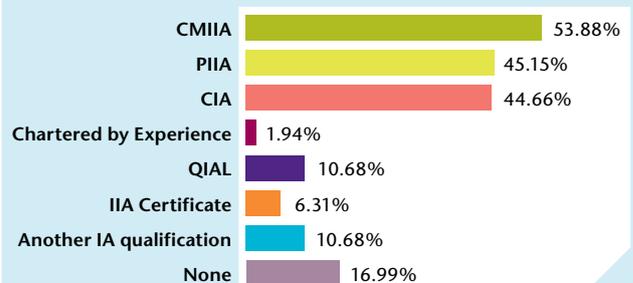


INTERNAL AUDIT QUALIFICATION

According to our interviewees, being qualified is of great added value for the individual and the organisation and in some cases essential to be considered for a role or promotion, so we were pleased to see that 83 per cent of our survey respondents, out of a sample of 206, hold an internal audit qualification.

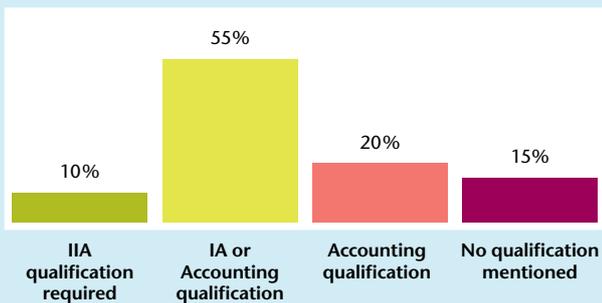
We asked our public sector members if the last internal audit role they applied for required them to have an internal audit qualification and 59 per cent answered positively but a significant percentage said no (38 per cent). Of the 50 online job adverts we found for internal audit positions between August and September 2017 in the public and private sector, only a small portion mandated an internal audit qualification.

What internal audit qualifications do you hold? (Select all that apply)



The majority of our public sector interviewees told us that although having an internal audit qualification is important to them, sometimes practical circumstances dictate otherwise. Funding limitations and the requirement for many public bodies to recruit internally often won't allow them to be too prescriptive.

What kind of qualification is required? 50 job advertisements



IT AUDIT

Digital information permeates practically all aspects of organisations' operations, from customer data to intellectual property to HR records. This trend is only set to increase as organisations exploit the Internet of Things, migrate more of their operations to the Cloud and transition to data-dependent, digital-led business models. Internal audit must ensure systems are robust enough to withstand malicious attacks or fall foul of legislation. IT audit, an area where there already is a skill shortage, is coming under increasing pressure to measure the management and mitigation of technology risks.

Of our 18 interviewees, 16 indicated that IT audit is their function's biggest knowledge gap. Of our survey respondents, only 4 per cent had an IT background. Due to financial limitations they are forced to either outsource or co-source. Ongoing budget constraints might mean that public sector audit functions are unable to procure specialist resources.

According to a local government interviewee, IT auditors operating in the public sector are highly sought after by private sector firms who offer better salaries. Public sector bodies will be forced to revisit their approach to IT audit and their funding or they will continue to struggle to source candidates with essential IT audit skills.

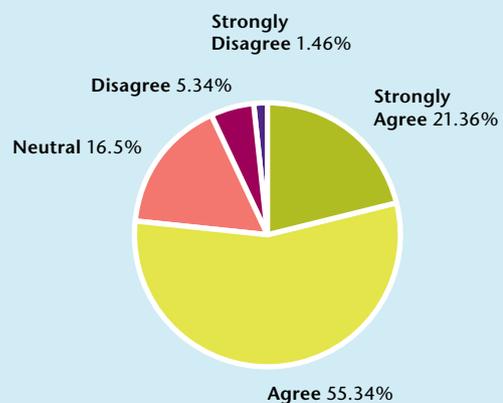
KEY SKILLS

Audit is a profession where people can develop and sharpen their skills in a variety of areas which are critical to success in today's modern internal audit environment. Technical skills are often an essential requirement, but those skills alone are no longer enough.

More and more employers are stressing the importance of soft skills and, as subjects such as the auditing of (corporate) culture become more important, demand naturally increases for soft skills such as problem-solving, insight, self-confidence and negotiating skills.

According to our interviewees, to be a successful internal auditor requires a person to possess an inquisitive mind, to be insightful, to be innovative and future focussed, to be tenacious, able to exercise sound judgment, and understand and relate to the organisation's culture. Many of our interviewees emphasised that it is important to get the balance right between maintaining their unique skills and perspectives and learning internal audit technical essentials.

I am aware of the skills I need to advance in my career



Conclusion

At a challenging time for the public sector, organisations are struggling to attract the talent they need to help them successfully deliver high quality assurance to the board and audit committee. Public sector auditors normally change roles less frequently than their private sector counterparts so when we asked about their career progression barriers, not enough opportunities in the internal audit function (60 per cent), and a lack of roles available in the organisation (36 per cent) were listed.

Internal auditors praise the variety of their work and generally enjoy working in the public sector with some notable differences between those working in central government and those in local government or NHS. For the former it is normal to work in different areas within a department for a fixed amount of time. In addition, for some central government departments, the work of internal auditors involves (inter)national travel; an aspect that appeals to many.

However, in the current financial climate, more can and should be expected from public sector internal audit to achieve its objective to meet public expectations and accountability. As public services are being stretched, internal auditors will need to evolve alongside of this. This means that their work-life balance will be affected.

The majority of internal auditors want to stay in the public sector, but several have indicated that future recruitment may become even more challenging as the current budgetary constraints make attractive salaries or training and learning opportunities an exception. The majority view was that internal audit functions in the private sector are financially better resourced thereby giving them the budget to attract and retain highly skilled and trained internal auditors.

For young graduates seeking an internal audit career, low staff turnover and limited financial opportunities for career progression make it a less attractive area to work in, and the public sector therefore risks losing out on promising talent. Several interviewees showed great support for the work the Chartered IIA is currently doing on internal audit apprenticeships and a mentoring scheme. They believe the schemes will make it more attractive to recruit and retain talented people.

Looking forward, the public sector must seek to recruit new staff, or train existing staff in order to facilitate the evolving nature of internal audit. Expectations of internal audit will grow considerably in the years to come and this requires internal auditors, in all sectors, to accommodate their functions to meet these rising expectations. Internal audit must adapt itself to transform and deliver the value that is expected of it.





About the Chartered IIA

The Chartered Institute of Internal Auditors is the only professional body dedicated exclusively to training, supporting and representing internal auditors in the UK and Ireland. We have 10,000 members in all sectors of the economy.

First established in 1948, we obtained our Royal Charter in 2010. About 2,500 members are Chartered Internal Auditors and have earned the designation CMIIA. Over 1,000 of our members hold the position of head of internal audit and the majority of FTSE 100 companies are represented amongst our membership.

Members are part of a global network of 180,000 members in 170 countries, all working to the same International Standards and Code of Ethics.

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