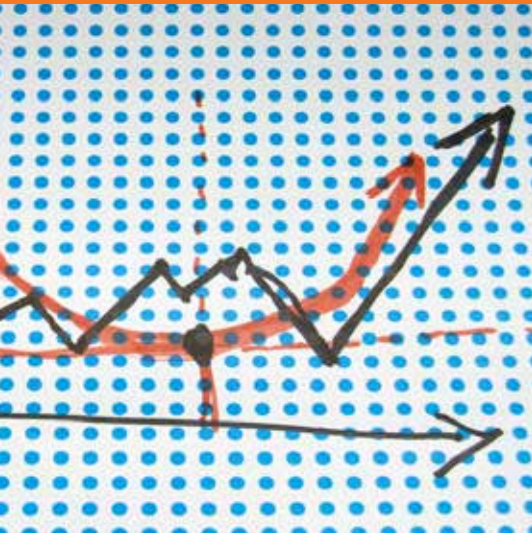


Corporate Governance  
Recruitment  
Compensation and Market Trends  
Report 2013  
Internal Audit



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## WELCOME TO BARCLAY SIMPSON'S 2013 INTERNAL AUDIT COMPENSATION AND MARKET TRENDS REPORT

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Barclay Simpson has been producing corporate governance market reports since 1990. This year we are breaking with tradition and using our Mid Year 2013 report as an opportunity to focus primarily on Compensation. This report seeks to provide insight and guidance into the compensation within internal auditing. This is supported by a comprehensive survey carried out in June 2013 of internal auditors registered with Barclay Simpson. Comparable reports exist for all other areas of corporate governance. They can be accessed in section 7 of this report ("About Barclay Simpson") or at [www.barclaysimpson.com](http://www.barclaysimpson.com)

We place great value on the professional reaction to our reports and would appreciate your comments and any requests for further clarification or information.

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## COSTS STILL UNDER TIGHT CONTROL

Whilst it is almost certainly too early to celebrate, the internal audit recruitment market has a better feel to it than at any time since July 2011. This is supported by the number of vacancies, the propensity of companies to recruit and from the generally positive results from our survey of internal auditors.

### Positive news on employment

2013 began with many commentators talking up a triple dip recession and another washout for the UK economy. However such forecasts were at odds with developments in the recruitment market. For us, a nascent recovery had begun in the early months of 2013.

**Forecasts for economic growth in 2013 are now coming in at over 1% with many economically sensitive sectors starting to see economic growth accelerate.** This is coming together with positive news on employment. A record 30 million people are currently employed in the UK economy.

### Many internal auditors received no salary increase

The last five years have not come without a cost to those in work. Real average earnings have fallen by an estimated 6%. Internal auditors have not been spared. Our compensation survey confirms that 33% of internal auditors received no increase to their base salary in the last year and a further 25% received less than 2.5%, the minimum necessary to keep real earnings from falling.

**Clearly companies are keeping their costs under tight control even for those with marketable skills.** In spite of this, 59% of internal auditors surveyed claim to be satisfied with their overall remuneration. Perhaps they appreciate there are still 2.5 million people unemployed in the UK and austerity continues.

### Standards continue to rise

The internal audit recruitment market also remains highly selective. Standards continue to rise. Employers will only recruit internal auditors who closely match their requirements. For some internal auditors opportunities in the recruitment market are limited. This is evidenced by the 5% of respondents to our survey who reported they were not working. Whilst only 50% of these were as a result of redundancy, 29% of those not working had been looking for work for over 6 months.

Their search is not helped by the continued fall in the number of internal audit departments. **London and the South East are also coming to dominate the internal audit recruitment market, particularly given the resurgence in demand from multinational groups based in the UK.**

### Companies acting more decisively

Whilst there has clearly been latent demand for internal auditors over the course of the last two years, this demand often failed to manifest itself in external recruitment. In the last six months companies are coming to the recruitment market and following through with realistic offers. A modest but discernible recovery in the internal audit recruitment market has taken hold.



Forecasts for economic growth in 2013 are now coming in at over 1% with many economically sensitive sectors starting to see economic growth accelerate





# 02

## THE ECONOMIC & CORPORATE GOVERNANCE ENVIRONMENT

### ECONOMY ON THE MEND

**The Treasury's objective, to move an economy dependent on consumption to one led by exports and business investment, has been put on hold.**

A happy coincidence of converging factors, supported by government policies around income tax and the housing market, is leading to a revival in consumer spending. As a result, the OECD is predicting that the UK economy is finally moving towards its trend rate of economic growth.

Whilst the UK, at least in European terms, remains a significant beneficiary of inward foreign investment, what is missing is any significant upswing in domestic corporate investment. This has historically helped drive the recruitment of internal auditors. Perhaps the lack of investment explains why this is a recovery that so far lacks productivity growth. Productivity has fallen back to 2009 levels with the threat that the UK is turning into a low productivity economy where low wages are fully justified.

### Regulation stifling productivity

We have previously described how productivity has been undermined by bank forbearance that has kept companies alive that do not have sustainable business models. However, whilst sensible regulation certainly has a role to play, excessive regulation has also stifled productivity. **There is a proliferation of regulation in many sectors of the economy. This regulation can be expensive to comply with and frequently undermines productivity leading to what has been described as regulatory austerity.**

The financial services industry remains highly significant to the UK economy. Whatever folly has taken place within banking, financial services is an industry in which the UK excels. Unfortunately, it is also one of the industries that is weighed down by an avalanche of regulation.

### Excessive cost of regulation

**In many areas of regulation the costs are now disproportionate to the potential benefit.** Governance has become one of the preoccupations of management. For example it is estimated that the cost so far to the UK insurance industry of Solvency II, a project that has become chronically delayed and is unlikely to be implemented before 2016, is at least £3billion. Andrew Bailey, the Chief Executive Officer of the PRA has described it as indefensible. Regulators appear to use rules that are needlessly complicated, such as risk weighting, and which are seemingly complex and distorting.

The sheer weight of regulation, not only from within the UK but also Europe and extra territorially from the US, is undermining the banks' ability to take risks. Money that should be spent on lending and what they are designed to do, is used on a regulatory black hole. Barring another financial crisis, the political momentum to over regulate the financial services industry will pass.

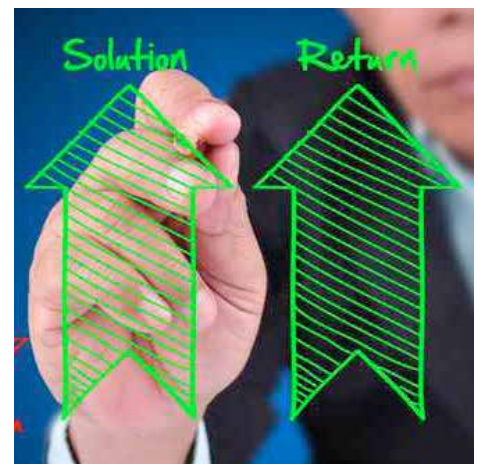
### The threat from cyber security

**Today a potentially more pressing area of corporate governance is emerging. Both the public and private sectors are becoming increasingly alert to the threat from cyber security.** Cyber attacks are happening on an industrial scale.



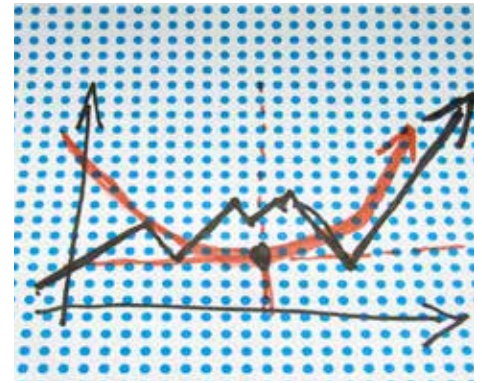
Barring another financial crisis, the political momentum to over regulate the financial services industry will pass

According to the National Audit Office, web-based crime cost the UK as much as £27 billion this year and this cost has tripled within a year. It is estimated that 90% of British companies have suffered an attack in the last year. These risks are becoming broader with technological developments such as cloud computing and the increased use of tablets and smart phones. Security vulnerability is now ranked as one of the top concerns of business. **Unlike Solvency II, given the threat posed, it is an expense that companies should have no quibble about paying.**



# 03

## MARKET ANALYSIS



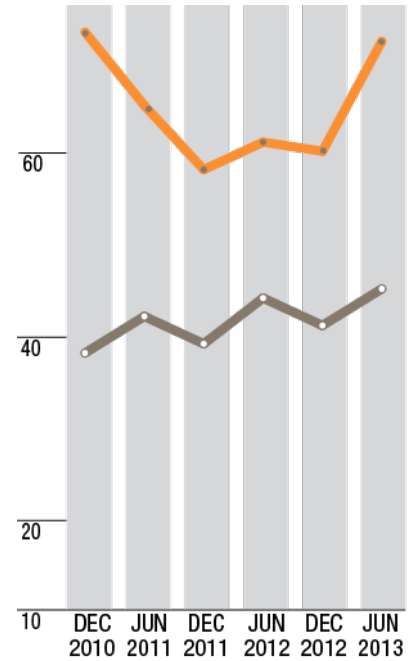
### VACANCIES

#### Vacancies increasing

The number of internal audit vacancies registered rose throughout 2012. This trend has continued in 2013 with banking and financial services, industry and commerce and the consultancy sectors all benefiting. Only vacancies in the public sector remain at historically low levels. **Outstanding vacancies have also risen but by a proportionately lower amount indicating that companies are filling their vacancies.**

The increase in the number of vacancies is not only the result of companies replacing internal auditors but also an increase in the number of internal auditors employed. This is most apparent in the international audit teams based in the UK.

However, there is no let up in the number of vacancies that require internal and computer auditors to have specialist skills. Companies are becoming more prescriptive with even general auditors on occasions requiring skills such as change, transformation and project management. Most IT audit vacancies require specific technical experience, with generalist IT auditors currently finding opportunities limited. Within financial services the level of specialism required is leading some banks to recruit technical specialists with no prior internal audit experience. Actuaries willing to transfer into internal audit in the insurance sector are welcome. **We are expecting the number of vacancies to continue to rise during the second half of 2013.**



● New vacancies  
● Outstanding vacancies

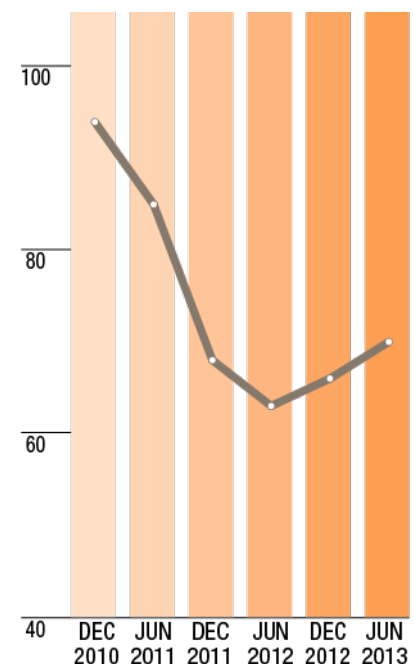
### RATE OF PLACEMENTS

#### Counter offers becoming common

To provide a better insight into the dynamics of the recruitment market, this graph plots the rate at which placements have been made across the last four years. In order to create a scale, we have taken the results from the first six months of 2010 as our 100% benchmark. The graph demonstrates the willingness of companies to recruit during the period rather than simply registering vacancies and arranging interviews. It reflects the rate at which candidates are being offered and accepting jobs.

**The marginal increase that took place in the second half of 2012 continued into 2013.** However there are conflicting influences. Whilst there are more vacancies companies remain determined to recruit as close to their ideal as possible. This is challenging as the supply of candidates who meet what are frequently demanding professional and interpersonal standards remain limited. It results in competition for the services of internal auditors who meet these requirements. Counter offers are common as there are now more internal auditors who are passively looking. It is now more likely they will remain with their existing employer.

**In a period when costs remain closely under control many companies are constrained in the offers they are able to make. A solution that is once again becoming common is to recruit internal auditors from EU countries.**



● Placement rate



## COMPANIES MORE FOCUSSED ON REASONS TO RECRUIT

**Six months ago we reported that confidence and the mood and metrics of the recruitment market had stabilised and that it appeared to be benefiting from modestly improved levels of confidence and activity.** Since then there has been further evidence that the economy is improving and this is now being reflected in the demand for internal auditors. **Companies that were looking at reasons not to recruit are becoming more focussed on why they should.**

A general recovery in demand for internal auditors is taking hold. Two notable sources of demand are major UK domestic banking groups and multinational groups with international internal audit departments based in the UK. In terms of corporate governance the banks still have plenty to do.

**The demand from multinational groups is driven by their UK departments taking on more responsibilities. There is also a limit to which internal auditors can be replaced internally.** Unlike the smaller and medium sized UK focused groups that had previously sustained demand, multinationals are now coming to the recruitment market with multiple vacancies.

## Candidate shortages

Companies are still struggling to find the quality of internal audit recruits they seek. Standards continue to rise and, almost regardless of market conditions, there is a chronic shortage of suitably qualified internal auditors. The current recruitment market presents some internal auditors with multiple offers. Others, as evidenced

by the 5% of internal auditors who are not working and have skills that are in less demand, could be disappointed.

A source of candidates that is being revisited is those from EU countries. Salaries for internal auditors are higher in the UK which makes it an attractive destination for EU based internal auditors. Equally their European language skills are invariably useful to the international groups that are actively looking to grow their teams.

## Migration South

**We have previously made the point that the number of internal audit departments is in decline. In some regions of the UK, this reduction in the number of internal audit departments has stifled career development opportunities for ambitious, locally-based internal auditors.** London and the South East are becoming dominant. Whilst London has historically always been a magnet, internal auditors are increasingly relocating to the South East for career development reasons. The advantage is that having decided where to live, there will be sufficient career opportunities not to have to relocate again. This trend potentially makes it more difficult for companies based in the regions to recruit experienced, let alone specialist internal auditors.

## Social media

Social media is having a significant influence on the recruitment market. Linked-In and other sites have become a market place. Many companies have recruited in-house teams to target internal auditors directly. It represents both a threat and an opportunity to the recruitment industry.

Standards continue to rise and, almost regardless of market conditions, there is a chronic shortage of suitably qualified internal auditors

**Recruitment consultants are now less likely to add value recruiting non specialist internal auditors. However, as it becomes more common for companies to require internal and computer auditors with specialist skills, dedicated market knowledge, experience and expensively assembled databases are more likely to be required.** From our perspective as recruitment consultants, this is where value is added.

## The passive candidate

Internal auditors are now far more likely to be in the recruitment market either as a result of an approach from a recruitment consultancy or from an in-house recruitment team. Whilst this may give the illusion of a pool of interested candidates, these individuals are less likely to have made a definitive decision to leave their current employer. For this reason they are often more likely to be open to a counter offer from their existing employer.



## BANKING AND FINANCIAL SERVICES

Within **banking**, regulatory initiatives are driving demand together with new domestic entrants that are providing career development opportunities away from their established rivals. The FCA's focus on Conduct Risk, driven by PPI mis-selling and the LIBOR debacle is focused on consumer protection, market integrity and competition. This has been driving recruitment at senior levels within the banks concerned.

Specialisation continues with capital markets experience in equities and commodities in demand. Other specialist skills required include market risk (including quants/modelling experience) and credit risk. When, as is frequently the case, internal auditors with these skills are not available, specialists without internal auditor experience are being recruited.

Changing audit structures in some large retail banks is resulting in demand for change and transformation specialists. They have also been sought to help mitigate the risks involved in major divestment programmes.

**Asset managers** remain active with a number of regulatory initiatives driving demand. Asset managers within the insurance sector are recruiting internal auditors with specialist investment management expertise. The relative shortage of junior asset management candidates is driving the movement of internal auditors with plain vanilla asset management experience from the custodial sector into the more established and complex groups. As ever, front office experience is in demand and some asset managers are recruiting at more junior levels to train in-house.

The **insurance sector** remains active although the number of vacancies is down on 2012. Whilst the sector has its own regulatory challenges, including the retail distribution review and pension auto enrolment, having recruited and built capacity around Solvency II the project is now further delayed. Although internal auditors are clearly being replaced as they leave, there is little evidence of any increase in headcount. Multiple offers that were common in 2012 are now less so.

## MULTINATIONAL GROUP AND COMMERCE

Demand from the audit departments of **multinational groups** based in the UK is increasing. They have two common requirements. They require internal auditors who are prepared to travel and those who have language skills. Given that this remains a relatively rare combination amongst experienced UK internal auditors, their renewed interest in internal auditors from the EU is understandable. They also appear to be extending their audit coverage beyond Europe and into the emerging markets. This may well be a compliment to the high regard in which UK internal auditing is held.

More UK centric **commercial groups** are not currently expanding their internal audit teams but are actively looking to replace internal auditors as they leave. For some the potential to transfer people internally into audit has been exhausted. It is not unusual for these groups to attempt to source internal auditors through their own efforts. Their success is mixed and more problematic for more specialist technical roles.



Demand from the internal audit departments of multinational groups based in the UK is increasing

## PUBLIC SECTOR

The government's austerity drive continues and demand remains low. However, there are now fewer cuts in public sector internal audit teams. Redundant roles in the public sector are still likely to be replaced by outsourced providers or assimilated into existing co-sourced arrangements. Vacancies are concentrated amongst not for profit and non government organisations and are characterised as having highly specific requirements that cannot be sourced internally.





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## CONSULTANCIES

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The consultancy sector has seen the continued rise of the mid tier and smaller specialised firms over the last few years as they begin to challenge the Big 4 for commercial and financial services sector work. From an external recruitment perspective this demand has continued but the past 6-9 months has seen the Big 4 increase recruitment activity.

Demand from the Big 4 crosses all areas and is not limited to London. Recruitment has focused on specific skill sets and these include data analysis, SAP controls, treasury, IT audit and project assurance. For the London market banking and capital markets experience is the key sector experience required.

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## IT AUDIT

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**IT auditors remain in demand, particularly in the banking sector where requirements are likely to be for specific sector experience or technical skills.** These include experience in infrastructure reviews, change/project management or specific product knowledge for investment management clients. Given increasing regulatory demands, many banks have conducted internal reviews and this has resulted in multiple vacancies at Senior Auditor and Manager levels with the larger banking groups.

There is increased demand from commerce and industry and in particular multinationals requiring more generalist IT auditors to undertake high travel roles. There are vacancies across the consultancy sector.

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## THE CONTRACT MARKET

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Our perception is that after a slow start the contract market picked up during the second quarter of 2013. However, the results from our survey reveals a divergence in opinion between those in work and those looking. Unsurprisingly those in work were generally positive. However, 57% of those looking were finding it more difficult than they anticipated.

**Demand has been skewed towards providing cover rather than to undertake specific projects. However, amongst smaller companies, contractors are being used to provide specialist experience and as a potentially cheaper alternative to using established consultancies.**

Within financial services demand has come from the insurance sector and particularly the Lloyd's market. Asset management and capital markets experience remain in demand and most recently there has been an increase in demand from industry and commerce. The public sector remains quiet.

IT auditors with e-commerce and mobile technology experience are sought, together with IT auditors with experience of system integration/project management and payment systems.

**There are currently more short term contracts with fewer rolling extensions.**

Contractors are increasingly expected to complete assignments on time. Clients are more likely to expect contractors to work on a 'fixed term' pro-rata salary basis, which they consider to be more cost effective. Established contractors generally reject such terms. There has also been an increase in the number of



“ Clients are more likely to expect contractors to work on a 'fixed term' pro-rata salary basis, which they consider to be more cost effective

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contractors being offered permanent positions which is no doubt a further sign that companies are feeling more confident. However, most career contractors are not interested in being employed on a permanent basis.

Contracting is becoming more popular. There are regular enquiries from otherwise permanently employed internal auditors who are considering contracting as a career option. The flexibility, variety and for some the potential rewards are attractive.







## Internal Audit

**This Mid-Year Report includes a significantly expanded section on salaries and compensation, designed to give a much fuller picture of overall remuneration packages.**

Most internal auditors are keen to know their market worth. This is not always easy to address. Two otherwise similar internal auditors may enter the recruitment market and accept materially different salaries. We provide this caveat because we are aware that the internal audit recruitment market is sufficiently diverse that it defies simple categorisation. However, internal and computer auditors and their employers want guidance and this is what we attempt to provide.

As recruitment consultants we are involved in the negotiations that take place between employers and prospective employees. **We are aware that whilst salary is usually the most important factor, there are a number of others that go to make up total remuneration.** In addition to the data we gather from the placements we make and the recruitment work we do, including contact with internal audit and human resources departments about salary and other benefits, we have also conducted a Compensation Survey to provide specific detail on all different types of remuneration within internal audit.

This is a survey of internal auditors registered with Barclays Simpson and was conducted in June 2013. It generated several hundred responses.

## Covers both permanent and contract markets

We also conducted an Interim Compensation Survey focussing on the contract market. We have incorporated the key findings into this report to make it as easy as possible to understand the full picture for internal audit.

We hope that you find the results interesting. This report provides the key highlights of the Survey. If you would like more detail about your specific sector or role, please call Adrian Simpson on 020 7936 2601 ([as@barclaysimpson.com](mailto:as@barclaysimpson.com)).

This section is broken down into 4 parts:

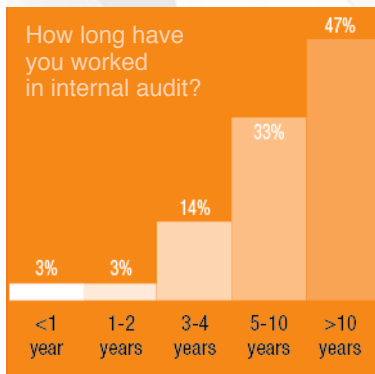
- 1. Key conclusions** – Key conclusions from Internal Audit Compensation Survey
- 2. Overview** – Provides a commentary on the major trends in the salaries and other benefits paid to internal auditors
- 3. Compensation Survey** – Results of Compensation Survey completed by internal auditors
- 4. Salary Guide** – Guide to salaries for specific internal audit roles and positions

## Key Conclusions

The results from the Barclay Simpson Internal Audit Compensation Survey were broadly encouraging and provide further evidence of a strengthening internal audit recruitment market.

### Mature and stable employment market

- 80% of internal auditors surveyed have worked in internal audit for over 5 years
- 47% have worked in internal audit for over 10 years



### Recruitment activity increasing

- 26% of internal auditors surveyed have changed job in the last 12 months

### Salaries on the increase

- Average increase of 17% for internal auditors who moved, versus 4% for those who stayed with their existing employer

### Average benefits package around 25% of salary

#### Bonuses

- 66% of internal auditors received a bonus
- Average bonus equivalent to 14% of basic salary

#### Pensions

- 91% receive pension contributions
- Average employer contribution equivalent to 8% of basic salary

#### Other allowances

- 54% benefit from other allowances
- Average value of additional benefits £2,500

### General satisfaction with remuneration and conditions

- 59% content with current remuneration
- 64% benefit from flexible working
- Average holiday entitlement is 27 days

Do you believe you are adequately compensated?

59% Yes      41% No

### Contractors remain positive

- 67% content with current contract
- 78% of those in work secured contract in less than a month

### IT Audit

#### IT Auditors even more experienced

- 86% have worked in IT Audit for 5 years or over

#### Recruitment levels higher

- 33% of IT Auditors surveyed have changed job in the last 12 months

#### Salary increases higher

- 20% average increase for IT Auditors changing job (versus 4% increase for those who stayed with their existing employer)

#### Benefits

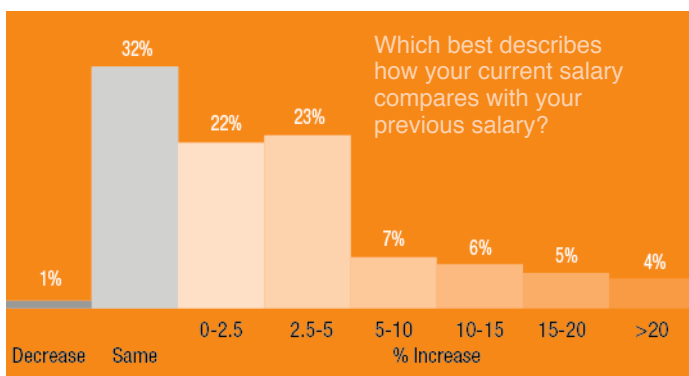
- IT Auditors more likely to receive a bonus (89%), though average bonus the same at 14%
- Pension contribution slightly up, averaging 9% of basic salary
- IT Auditors more likely to benefit from other allowances (69%) and average value of additional benefits higher at £3,400
- Holiday entitlement the same
- More IT Auditors benefit from flexible working (75%)
- Surprisingly, IT Auditors are less content with current remuneration than Internal Auditors (52%)

The UK economy is recovering and the number of people working in internal audit is increasing. However, companies have been looking to ruthlessly control costs. This has been evidenced by both their reluctance to recruit externally and the salary increases received by internal auditors who stayed with their employer.

## Salary increases achieved by internal auditors who stayed with their employer

According to our Survey, the average rate of increase for internal auditors who stayed with their existing employer is 4%. Whilst the headline rate is perhaps unsurprising, averages can be misleading. Many of the internal auditors who stayed with their employer will have benefited from promotions.

Breaking out the increases tells a different story and provides evidence of the way costs are being controlled. **During the last year, 33% of internal auditors were rewarded with either a pay cut or no salary increase; 22% were rewarded with a salary increase of less than 2.5%.** Given an inflation rate of 2.9%, this represents a fall in real earnings. It is broadly consistent with other areas of corporate governance and trends in the wider economy.



## Motivation for entering the recruitment market

The analysis here is broken down between those who are primarily motivated to increase their salary, those who feel they have no choice because of a real or apparent threat to their job security and the majority who are simply seeking career progression.

**At 10% defensive registrations are down from the figure last year and are currently at a multi-year low.** In 2009, in the immediate aftermath of the financial crisis this figure was over 20%. However, a relatively high 5% of respondents were not working and out of those 50% were not working as a result of redundancy. 29% had been looking for work for over 6 months which indicates that whilst the recruitment market is certainly

improving for some, for others and particularly those without the right combination of skills, securing another job remains tough.

There is a clear rise in the number of candidates looking to increase their salary. This is not surprising, given that 47%

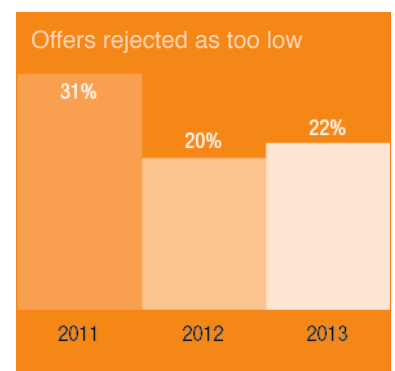
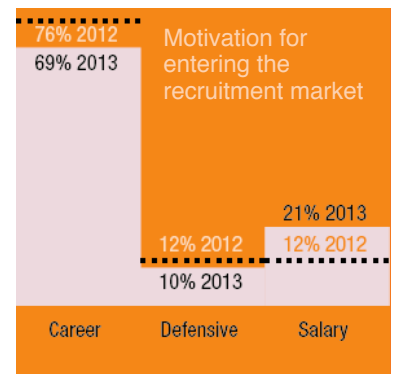
of respondents to our Survey indicated in the last year they had received a salary increase below the rate of inflation. Whilst 59% of internal auditors reported they were happy with their remuneration, 41% were not.

**Although the primary motive for the majority of candidates entering the recruitment market remains career development, most internal auditors will seek a salary increase when changing employer.**

## Offers rejected as deemed too low

An insightful statistic is the number of offers that are rejected for being too low. That is the percentage of internal auditors who have rejected an offer they would have otherwise accepted simply on the basis of salary. It represents the propensity of prospective employers to make realistic offers rather than simply opportunistic ones. It also provides some insight into how internal auditors view their bargaining power.

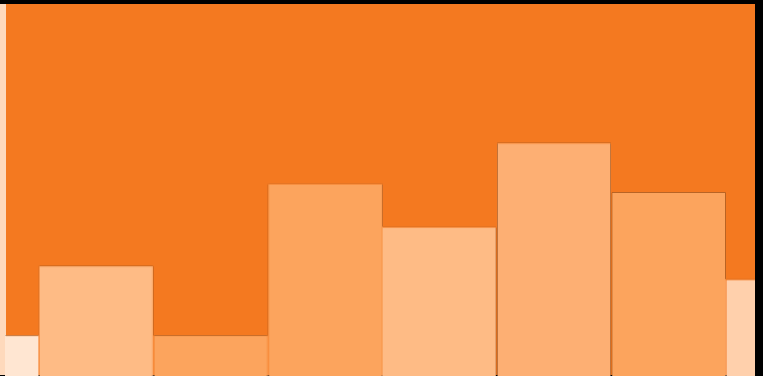
Having fallen significantly between 2011 and 2012 the number of offers rejected rose from 20% to 22% in 2013. We concluded last year that companies were making more realistic offers in response to their need to recruit. We see this trend continuing. **However, we also see internal auditors becoming more secure and assertive in respect of their market worth. If they are going to move they expect it to be financially beneficial.** This is consistent with both the salary increases being achieved in the recruitment market and the fall in the number of defensive registrations.







For many, a job move has allowed them to get into a sector or gain experience with a company that they believe will be career enhancing.



## Salary increases achieved by changing employer

Last year the average salary increase achieved by internal auditors changing job was 13% and close to its long term average. This has pushed higher and is now 16% the highest it has been for three years.

Many internal auditors who are able to secure a new position are in a stronger bargaining position than they have been. Companies are finding it harder to recruit, with good candidates receiving multiple offers. This is being reflected in the salary increases secured.

**There is clearly a significant difference between the 16% increase in salary achieved by changing job and the 4% average achieved by staying with an existing employer.** However it is worth looking at the breakdown.



**of internal auditors relocating to London or from overseas, clearly companies are willing to pay significant increases to those internal auditors with the skills and experience that match their expectations.** Companies recognise these candidates are in short supply and Internal auditors are prepared to turn offers down and stay with their existing employer where they consider offers to be too low.

## Salary v Remuneration

Base salaries always catch the headlines. However, offers of employment invariably include other benefits. **On average, these additional benefits tend to make up to 30% of total remuneration in internal auditing.** We will use this opportunity to provide an overview of the other benefits that internal auditors might expect to receive.

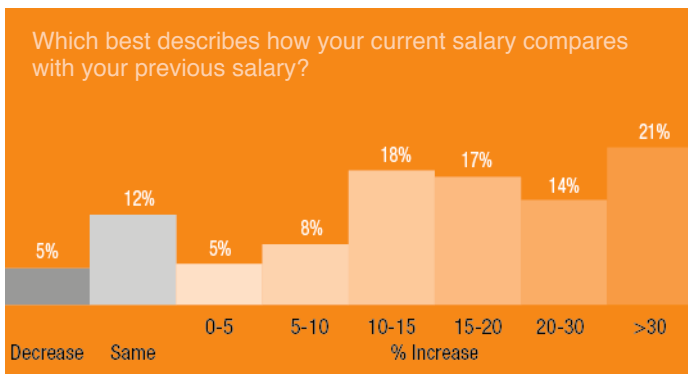
## Bonuses

Overall 66% of internal auditors benefit from an annual bonus. However, this rises to 86% in financial services and 87% in industry and commerce. Bonuses, whilst potentially a good way of retaining and motivating staff, are almost invariably an inefficient way of attracting them.

**Bonuses are usually non contractual, often discretionary and may be paid on the basis of corporate or personal performance or a combination of the two. There is often a qualifying period.**

One issue with bonuses is that whilst an internal auditor entering the recruitment market who has benefited from a bonus will add it to their base salary, they are more inclined to discount bonuses when discussing expected salary. This goes some way to explaining what can otherwise be relatively high increases in the base salaries achieved by internal auditors moving between employers.

Bonuses vary considerably and, as it stands, a typical offer made to an internal auditor will contain a non contractual offer of a bonus. Given the difficulties that it tends to engender, bonuses are now more likely to begin accruing from the time that employment starts rather than accruing from the start of an annual qualifying period.

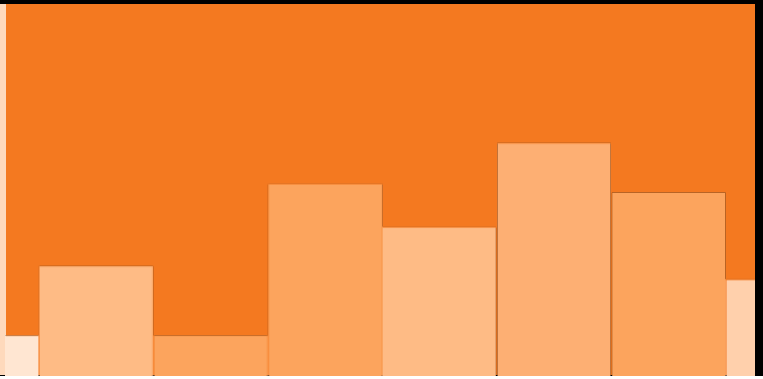


At first it might seem curious that 17% of internal auditors would move for less or the same salary. For some a move away from London is the reason and for others who may have been made redundant it is the opportunity to get back into work. For many, and given that most people enter the recruitment market for career development reasons, it is because a job move has allowed them to get into a sector or gain experience with a company that they believe will be career enhancing.

Equally, 52% of internal auditors benefited from increases in excess of 15% and overall 21% benefited from increases in excess of 30%. **Whilst some of these increases are the result**



Flexible working is an effective means of retaining staff particularly as few employers initially formally offer it.



## Pensions

For new recruits final salary pensions no longer exist in the private sector. For those who still benefit from them they have become increasingly valuable and the cost of giving them up to join a new employer can be prohibitively expensive.

**Over 91% of internal auditors benefit from employer pension contributions and the average pension contribution is equivalent to 8% of basic salary.** Pension schemes in the private sector are invariably money purchase where the company commits to making a contribution based on a percentage of salary. Whilst there is often a short qualifying period before contributions commence, a period in excess of six months would be considered unusual.

Most arrangements require the employer to make a contribution based on a fixed percentage of base salary. The employee may or may not be required to match it. Frequently employers will be prepared to match additional contributions made by the employee up to a fixed percentage. The percentage may increase with the age of the employee, their years of service and most often their level of seniority.

## Other benefits

Cars or car allowances have become a less common benefit. They can still be expected where a role requires significant travel and also for senior hires. In terms of overall remuneration a car allowance is frequently offered in lieu of a car and is often considered as non pensionable salary when evaluating overall remuneration. The most valuable other benefit is Critical Illness Cover which is expensive to provide and it is usually restricted to senior roles. However, Private Health Insurance is common and is often extended to all immediate family members.

Life assurance, usually linked to a pension scheme is usual as is payment of at least one professional subscription. Other benefits may include season ticket loans in London, gym membership, subsidised dental care, personal and accident insurance and staff discounts. These are generally low value benefits.

**The average overall value of other benefits across internal auditing is £2,500.**

## Flexible benefits

This refers to schemes where employees are offered limited core benefits in addition to their base salary. They can then choose to buy from a menu of additional benefits. These schemes became popular 10 years ago, particularly in the accounting profession, and are becoming more popular with many employers.

## Holiday entitlement

**The most common number of days holiday is 25 days, but there can be wide variations between sectors.** The average in the survey was 27 but was skewed by over 46% of internal auditors in the public sector benefiting from at least 30 days holiday. The holiday entitlement is also frequently related to the level of seniority and can also be linked to the number of years service. If the latter is the case then the initial holiday entitlement is likely to be lower than it might otherwise be. As a strategy it represents a good way of rewarding loyalty and retaining staff but a poor way of attracting new employees.

**An increasingly popular benefit is to provide employees with the opportunity to buy additional holidays. This is usually limited to an additional 5 days and would be purchased through salary sacrifice.**

## Flexible working

Flexible working is the opportunity to vary hours of work or to work from home. **Over 70% of internal auditors working in commerce, the public and consultancy sectors benefit from this.** Most offers of employment in the private sector will list core hours and an employment base which is usually not formally negotiable. However, many companies, once employment starts are prepared to be more flexible especially around start and finish times. Employers are ultimately more concerned with output rather than simply attendance. Flexible working is an effective means of retaining staff, particularly as few employers initially formally offer it.

# 3

## Compensation Survey



### General results

#### Mature market with experienced workforce

- 47% of internal auditors surveyed have worked in internal audit for over 10 years
- 80% have worked in internal audit for over 5 years

**IT AUDIT**

- Even more experienced (86% have worked in IT Audit for 5 years or over)

How long have you worked in internal audit?

Years	Percentage
<1 year	3%
1-2 years	3%
3-4 years	14%
5-10 years	33%
>10 years	47%

Differences by sector

- 86% of internal auditors working in the Public Sector have more than 5 years' experience
- Whereas the percentage of internal auditors working in Industry and Commerce who have more than 5 years' experience drops to 67%

#### Recruitment activity increasing

- 26% of internal auditors surveyed have changed job in the last 12 months

(Please note this figure cannot be extrapolated across everyone who works in internal audit, but 26% is up versus a year ago)

**IT AUDIT**

- By comparison, 33% of IT Auditors changed job in the last 12 months

Have you changed employer in the last 12 months?

Response	Percentage
Yes	26%
No	74%

Differences by sector

- 33% of internal auditors surveyed working in Banking / Financial Services and 28% working in Industry/ Commerce have changed job in the last 12 months
- Just 13% of internal auditors working in Consultancy and 17% working in the Public Sector have changed job in the last 12 months

### Bonuses

#### Bonuses still significant

- Although lower than in some other areas of corporate governance, 66% of internal auditors received a bonus

**IT AUDIT**

- IT Auditors more likely to receive a bonus - 89% get bonuses

Does your employer pay a bonus?

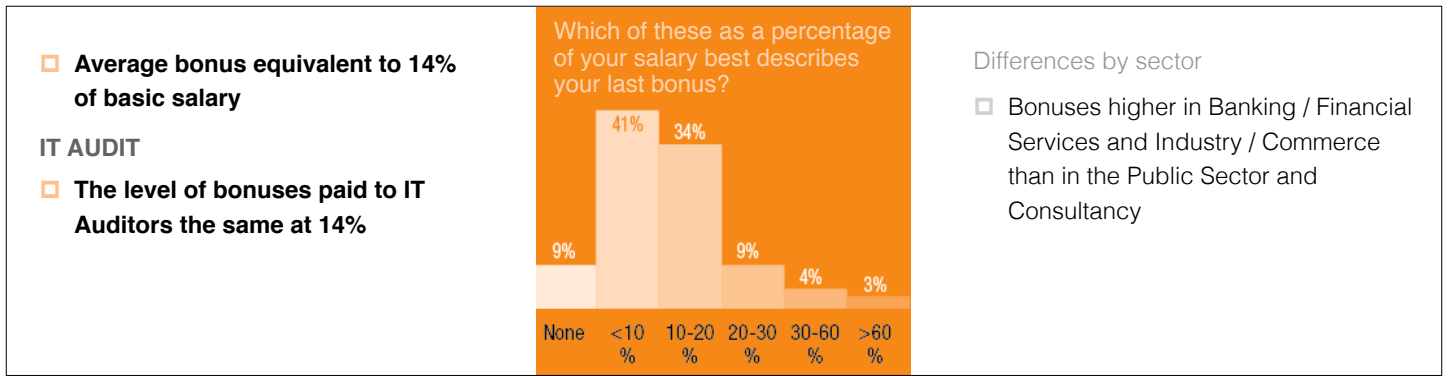
Response	Percentage
Yes	66%
No	34%

Differences by sector

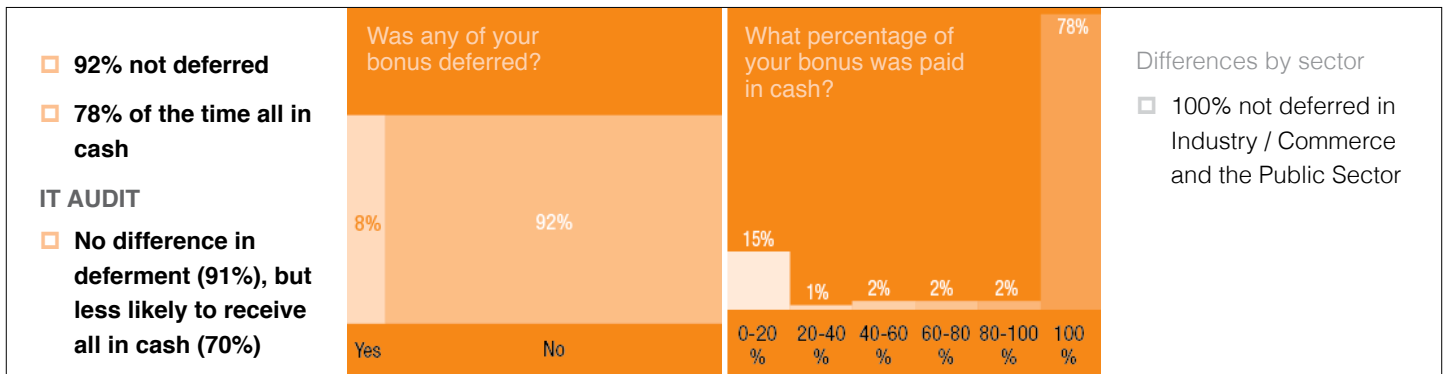
- 87% in Industry / Commerce
- 86% in Banking / Financial Service
- 53% in Consultancy
- 25% in the Public Sector



## Bonus levels good

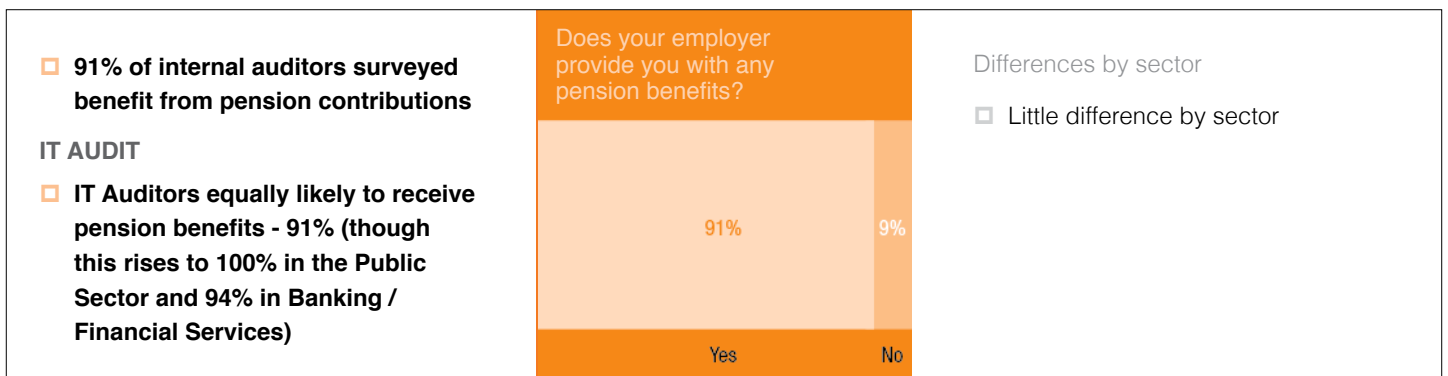


## Very few conditions attached

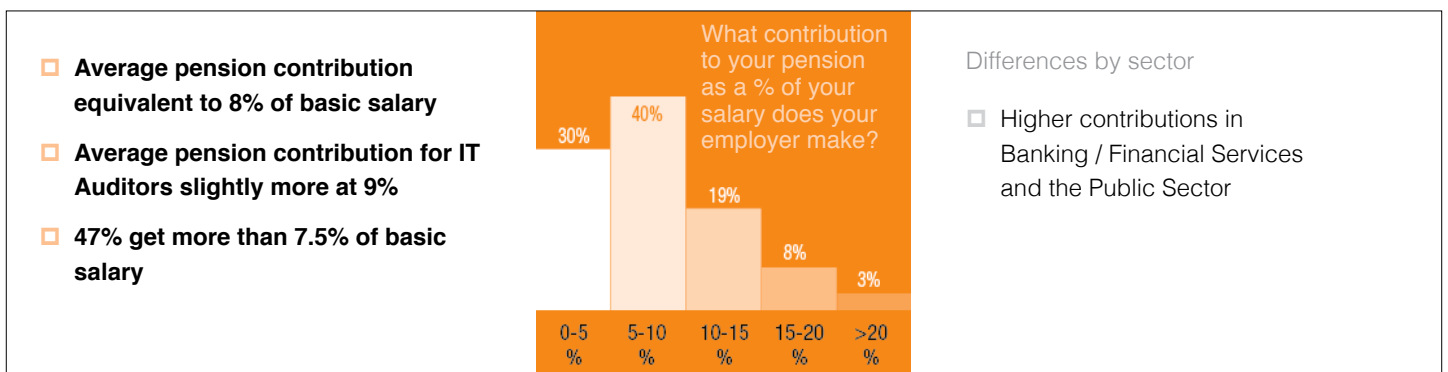


## Pensions

### Pensions an intrinsic part of remuneration

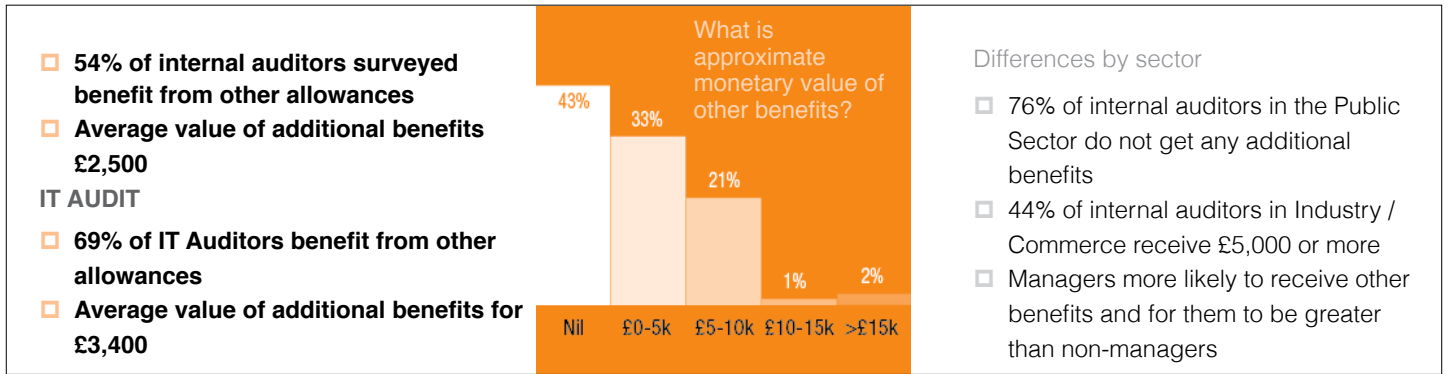


## Pension contributions significant



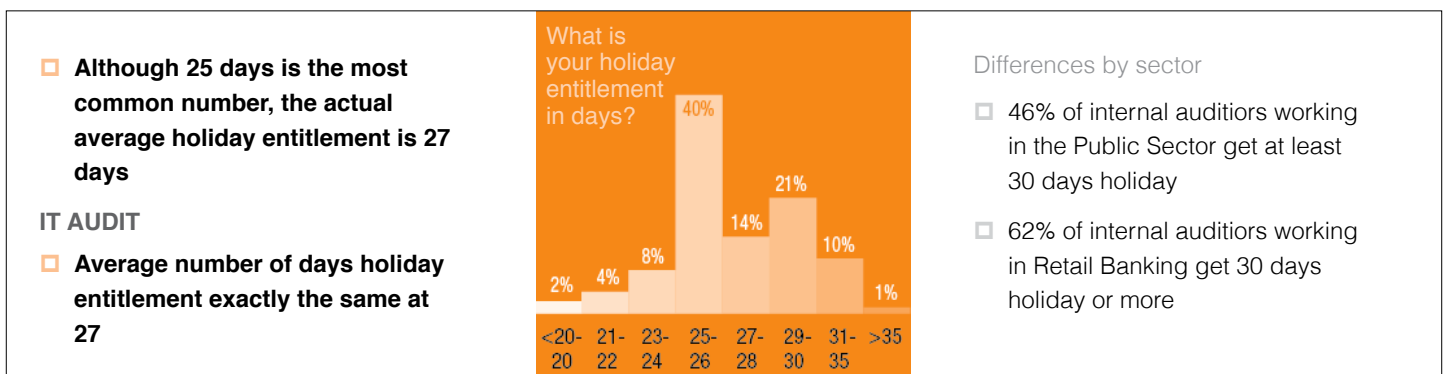
## Other benefits

### Other benefits also significant



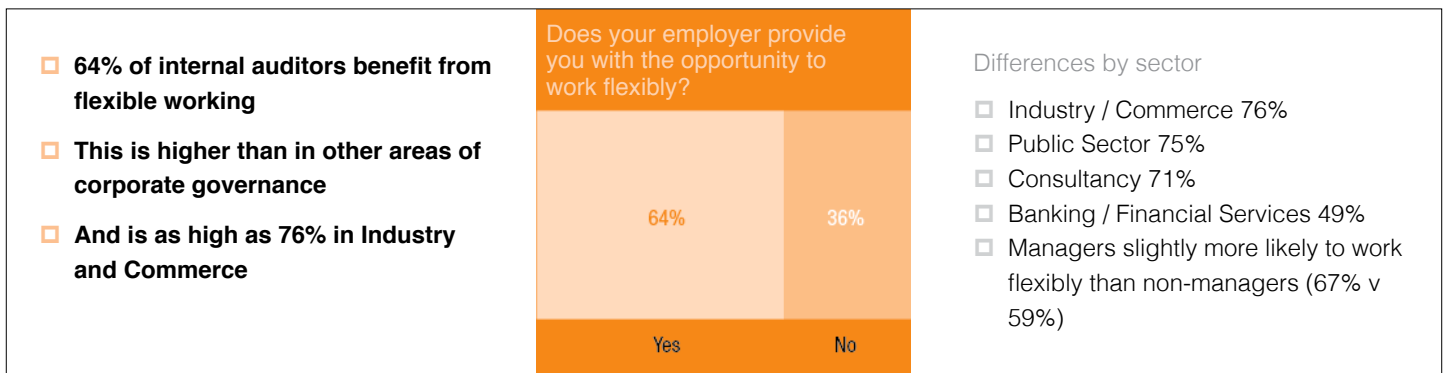
## Holiday entitlement

### 27 days is the average



## Flexible working

### Flexible working becoming the norm



# Content with compensation?

## More internal auditors content

- 59% believe they are adequately compensated

**IT AUDIT**

- At 52%, IT Auditors are less content than Internal Auditors
- However, this score is dragged down by a figure of just 25% in Industry / Commerce (satisfaction is 60% in Banking / Finance)

Overall do you think you are adequately compensated?

Yes	No
59%	41%

Differences by sector

- Most content are Credit Card Issuers (100%), Commercial Bankers (78%) and Brokerage (69%)
- Least content are Corporate Bankers (27%), Hedge Funds (38%) and Investment Bankers (44%)

## Best paid specialism

- As might be expected, Banking / Financial Services is the best paid sector with 23% paid over £100,000 and 47% paid over £80,000 in basic salary

# Interim Compensation Survey

## Contractors in work

### Positive picture coming through

- 44% of those in work believe the market for their skills is improving and only 11% think it is deteriorating
- 67% of those in work are happy with their current contract

Do you think the market for your skills is improving or deteriorating?

Deteriorating	Same	Improving
11%	45%	44%

- Clear difference between internal audit contractors in work and those looking for work

## Contracts secured relatively easily

- 78% of internal auditors in work were able to secure their current contract in less than 1 month
- 77% found it less difficult or the same as anticipated

How quickly were you able to secure your current contract?

Immediately	< 1 Month	2-3 Months	4-12 Months	> 12 Months
33%	45%	11%	0%	11%

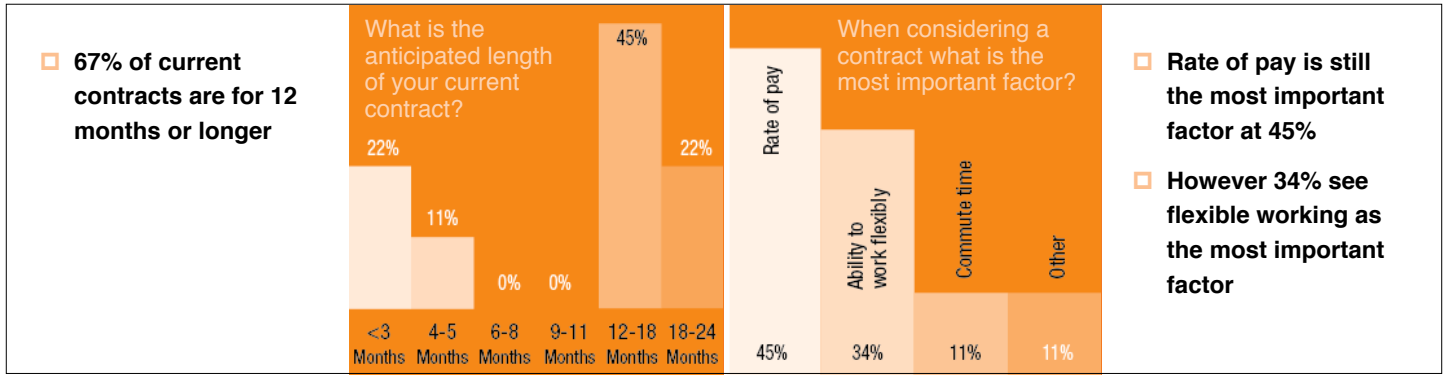
- Down in 33% of cases
- The same in 44% of cases
- Up in 23% of cases

Which best describes how your current rate compares with your previous?

% Decrease	Same	10-20 % Increase	20-30 % Increase
33%	44%	12%	11%

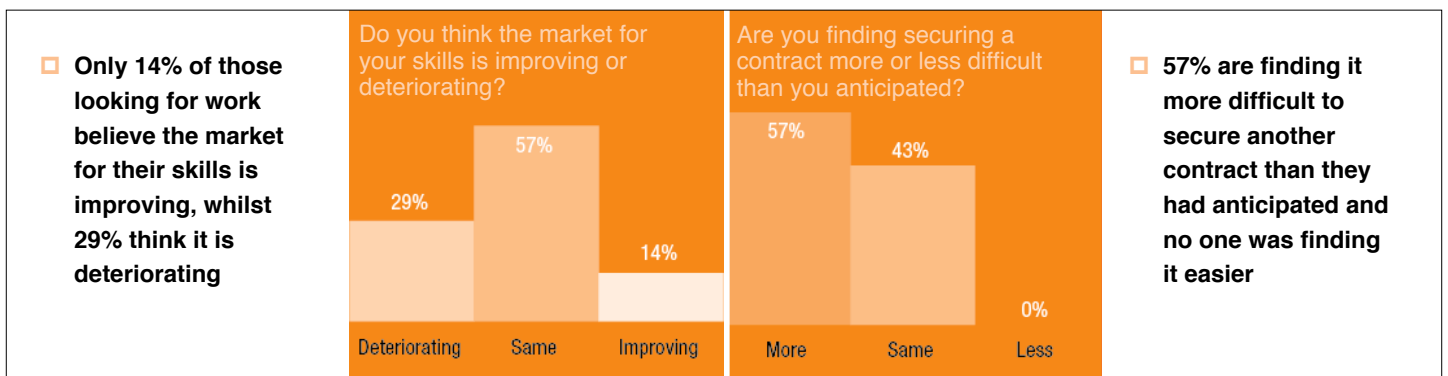


# Most contracts a year or more and flexible working a key factor

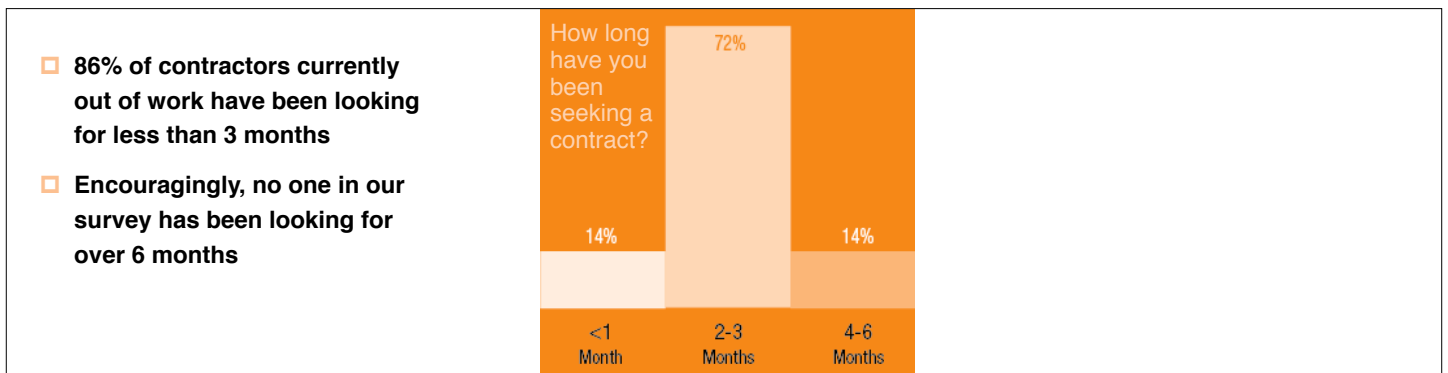


## Contractors looking for work

Less positive about the current situation



## Contracts taking time to find



# 4

## Salary Guide



### SALARY GUIDANCE

Barclay Simpson analyses the salary data that accumulates from the placements we make in the UK. This provides a guide to salaries for internal audit professionals.

The salary ranges quoted are for good rather than exceptional individuals and take no account of other benefits in addition to the salary that usually accrues to internal auditors, such as bonuses, profit sharing arrangements and pension benefits.

<b>BIG 4</b>	<b>GENERAL AUDIT LONDON</b>	<b>IT AUDIT LONDON</b>	<b>GENERAL AUDIT REGIONAL</b>	<b>IT AUDIT REGIONAL</b>
Associate (1-3 yrs exp)	£27 – £37,000	£27 – £38,000	£24 – £34,000	£24 – £36,000
Senior Associate (3-5 yrs exp)	£35 – £47,000	£40 – £52,000	£35 – £40,000	£32 – £42,000
Manager (5-7 yrs exp)	£45 – £63,000	£60 – £70,000	£40 – £50,000	£40 – £50,000
Experienced Manager (7-10yrs exp)	£55 – £70,000	£65 – £80,000	£50 – £60,000	£50 – £60,000
Senior Manager (8-12 yrs exp)	£65 – £90,000	£75 – £105,000	£60 – £75,000	£60 – £90,000
Director (12 yrs exp)	£90,000+	£100,000+	£75,000+	£80,000+

<b>MID TIER</b>	<b>GENERAL AUDIT LONDON</b>	<b>IT AUDIT LONDON</b>	<b>GENERAL AUDIT REGIONAL</b>	<b>IT AUDIT REGIONAL</b>
Consultant (1-3 yrs exp)	£23 – £33,000	£24 – £36,000	£18 – £26,000	£18 – £32,000
Senior Consultant (3-5 yrs exp)	£30 – £45,000	£36 – £48,000	£26 – £38,000	£31 – £39,000
Manager (5-7 yrs exp)	£40 – £50,000	£50 – £65,000	£38 – £45,000	£40 – £50,000
Experienced Manager (7-10 yrs exp)	£45 – £60,000	£58 – £72,000	£45 – £55,000	£50 – £60,000
Senior Manager (8-12 yrs exp)	£60 – £85,000	£70 – £90,000	£55 – £70,000	£60 – £80,000
Director (12 yrs exp)	£85,000+	£90,000+	£70,000+	£80,000+

COMMERCIAL	GENERAL AUDIT LONDON	IT AUDIT LONDON	GENERAL AUDIT REGIONAL	IT AUDIT REGIONAL
Auditor (1-3 yrs exp)	£28 – £42,000	£28 – £42,000	£20 – £32,000	£24 – £35,000
Senior Auditor (3-5 yrs exp)	£40 – £55,000	£38 – £60,000	£32 – £42,000	£33 – £45,000
Lead Internal Auditor / Assistant Manager (5-7 yrs exp)	£48 – £65,000	£55 – £70,000	£40 – £48,000	£43 – £55,000
Experienced Manager (7-10 yrs exp)	£55 – £70,000	£65 – £80,000	£45 – £55,000	£50 – £70,000
Senior Manager (8-12 yrs exp)	£65 – £90,000	£75 – £100,000	£55 – £67,000	£65 – £85,000
Director (12 yrs exp)	£90,000+	£95,000+	£70,000+	£80,000+

BANKING - IT AUDIT AND REGIONAL	IT AUDIT LONDON	GENERAL AUDIT REGIONAL	IT AUDIT REGIONAL
Auditor (2-4 yrs exp)	£38 – £50,000	£25 – £35,000	£28 – £38,000
Senior Auditor (3-6 yrs exp)	£48 – £65,000	£33 – £44,000	£35 – £47,000
Lead Internal Auditor / Assistant Manager (5-7 yrs exp)	£60 – £75,000	£40 – £52,000	£45 – £57,000

BANKING - IT AUDIT AND REGIONAL	IT AUDIT LONDON	GENERAL AUDIT REGIONAL	IT AUDIT REGIONAL
Experienced Manager (7-10 yrs exp)	£70 – £90,000	£47 – £60,000	£52 – £66,000
Senior Manager (8-12 yrs exp)	£80 – £120,000	£60 – £75,000	£63 – £80,000
Director (12 yrs exp)	£100,000+	£75,000+	£80,000+

INVESTMENT BANKING	LONDON
Analyst	£40 – £50,000
Associate	£50 – £80,000
Assistant Vice President	£65 – £80,000
Vice President	£80 – £100,000
Director / Senior Vice President	£100 – £130,000
Executive Director	£110 – £150,000
Managing Director	£150,000+

<b>RETAIL BANKING</b>	<b>LONDON</b>
Auditor	£30 – £40,000
Senior Auditor	£40 – £50,000
Audit Manager	£50 – £65,000
Senior Audit Manager	£60 – £100,000
Head of Audit / Audit Partner	£100 – £140,000
Director	£120,000+

<b>ASSET MANAGEMENT</b>	<b>LONDON</b>
Senior Auditor	£40 – £60,000
Audit Manager	£55 – £90,000
Director	£90 – £110,000
Managing Director / Head of Audit	£100 – £160,000

<b>INSURANCE - LLOYDS MARKET</b>	<b>LONDON</b>
Senior Auditor	£50 – £60,000
Audit Manager	£60 – £90,000
Managing Director / Head of Audit	£90 – £175,000

<b>SMALL INSURANCE - LIFE AND NON-LIFE</b>	<b>LONDON</b>	<b>REGIONAL</b>
Senior Auditor	£50 – £55,000	£30 – £45,000
Audit Manager	£60 – £70,000	£45 – £55,000
Senior Manager	£80 – £90,000	£60 – £70,000
Head of Audit	£90 – £130,000	£65 – £90,000

<b>LARGE INSURANCE - LIFE AND NON-LIFE</b>	<b>LONDON</b>	<b>REGIONAL</b>
Senior Auditor	£50 – £55,000	£35 – £45,000
Audit Manager	£60 – £70,000	£50 – £60,000
Senior Manager	£80 – £100,000	£65 – £85,000
Head of Audit	£140,000+	£90,000+



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## ABOUT BARCLAY SIMPSON

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Barclay Simpson is an international corporate governance recruitment consultancy specialising in internal audit, risk, compliance, security, business continuity, legal and treasury appointments. Established in 1989, Barclay Simpson works with clients in all sectors throughout the UK, Europe, Middle East, North America and Asia-Pacific from our offices in London, Edinburgh, New York, Dubai, Hong Kong and Singapore.

We add value by using our unique focus on corporate governance, our highly experienced specialist consultants and access to both the local and international pools of corporate governance talent. Our strength lies in our ability to understand client and candidate needs and then to use this insight to ensure our candidates are introduced to positions they want and our clients to the candidates they wish to recruit.

For more in-depth coverage, comprehensive reports and compensation guides exist for the Internal Audit, Risk, Compliance, Security and Legal recruitment markets. These can be assessed from the links below.

We also produce other specialist reports, each of which can be accessed for free on our website: [www.barclaysimpson.com](http://www.barclaysimpson.com)

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