Barclay Simpson

corporate governance recruitment

2009

Middle East Market Report

INTERNAL & COMPUTER AUDIT

Barclay Simpson Middle East Market Report 2009

MIDDLE EAST

CONTENTS

01. INTRODUCTION

Welcome to Barclay Simpson's 2009 Market Report. This report, the second we have produced for the Middle East, is an update of the 2008 report we produced in October 2008. It summarises and analyses the Middle East internal audit recruitment market. In line with other markets we cover, we will be producing an annual report in January and an interim report in July each year.

We place great value on professional reaction to our Market Reports and would appreciate your comments.

ABOUT BARCLAY SIMPSON

Barclay Simpson was established 20 years ago in 1989. Initially, the Company specialised in internal audit recruitment in the UK. This grew to cover the whole spectrum of corporate governance: risk management, compliance, information security, business continuity, fraud and legal recruitment. Geographically we have expanded to cover Europe, the Middle East and Asia Pacific. We opened an office in Hong Kong in 2008 and will be opening an office in Dubai in May 2009.

BARCLAY SIMPSON & THE MIDDLE EAST

Barclay Simpson has undertaken internal audit recruitment in the Middle East since 1992. In 2007, in response to a continuing increase in demand, we set up a division dedicated to corporate governance recruitment in the region. We are able to bring unrivalled experience to the internal audit and wider corporate governance recruitment market. The division is growing rapidly, filling demand for internal auditors throughout the GCC (Gulf Cooperation Council) and wider area.

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02. MARKET OVERVIEW

It is clear that the world economy has entered a deep and possibly long recession. After a protracted period of low inflationary growth, risk was mispriced. The cost of money was too low, the willingness to take risks increased and leverage became unsustainably high. Bubbles inflated, most notably in equity, raw material and real estate. Up until recently, and certainly prior to the demise of Lehman Brothers, a slowdown in world growth and patchy recessions across the globe were considered the most likely outcome. It is now clear that the opportunity for a relatively benign period where the excesses of the credit boom were unwound is past.

A highly stressful period of deleveraging is now underway and the problem has not been contained in the financial services industry. The re-pricing of risk and withdrawal of credit is now taking its toll on the wider world economy and both wealth and demand are falling precipitously. Trade flows are being significantly disrupted.

It is evident that the problem is not close to being over and it may well be that the global economy is going through its most severe peace time economic crisis in the last fifty years. Asset prices are most likely to further decline and the process of de-leveraging will continue. The financial systems in North America and Europe will continue to be recapitalised as all losses are eventually recognised. **It is hoped that widespread and coordinated government action will maintain the integrity of domestic and global banking institutions whilst the many and various stimulus packages will kick start economic growth. Unfortunately, the global nature of the recession and the inability of one country or region to stimulate another makes that kick start more difficult to achieve.**

Within this context of the wider world, in spite of the fall in both oil prices and production, the countries that make up the GCC are economically relatively strong. However, oil revenues, capital investments and current account surpluses in the GCC region will experience a sharp deceleration in 2009. This will have a significant impact on economic growth which is forecast to fall from 5% in 2008 to 2.5% in 2009.

Some GCC economies and sectors are being seriously affected, most notably Dubai, where the financial services and property sectors have slowed dramatically. However, the GCC will remain solvent, despite the elimination of the record current account and budget surpluses that the region has enjoyed in recent years. GCC governments are using these budget surpluses to maintain capital spending on infrastructure and services which will help sustain the private sector and encourage further non-oil economic growth. **A positive from the financial crisis is that it should cool the rapid rate of inflation that has plagued GCC economies during the past few years.**

Many commentators anticipate that the economies of the GCC have the capacity to recover quickly. However, whilst substantially dependent on a recovery in oil production and prices, the region is becoming increasingly integrated into the global economy and therefore more dependent on global liquidity and world trade.

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CORPORATE GOVERNANCE

Up until 2008, regulators worldwide seemed to believe that they had things about right. In the United States, the costs, retribution and subsequent regulation that had resulted from the dot com bust and associated accounting scandals had been settled. Although still evolving, the banking regulators also seemed satisfied. What was perhaps not apparent, or no authority of sufficient stature wished to disclose, was that risk was being systematically mispriced. **From a regulatory perspective, the premise that management would be prudent in their actions because of their responsibility to protect shareholders, has proven misplaced. With the benefit of hindsight, it is clear that incentivised remuneration packages that rewarded success but did not penalise failure resulted in risk managers either being misled or overruled. Executive and senior management enjoyed rewards for profits that were ultimately illusionary.**

A more recent development, which is further undermining confidence in supposedly well regulated financial markets, has been the scale of seemingly fraudulent activity. Whilst the Madoff and Stanford debacles are still emerging, more rigorous regulation must surely follow. For those who make their living in corporate governance, this should be a positive development.

The result is a problem now far greater than at the start of this century. As then, a financial problem has become a major political problem and some element of retribution and greater regulation is unavoidable. Governments will no doubt require risks to be better evaluated, reported and appropriately priced with the wish to ensure that the wider economy is more effectively insulated from failings within the financial services industry. In the medium term in North America and Europe a smaller, more highly regulated banking industry will emerge.

In the GCC, high levels of investment have resulted in strong economic growth and the development of capital markets. Investors and regulators have required higher standards of corporate governance particularly in an environment where 80% of companies are family rather than publically owned.

Members of the GCC are now keen to ensure effective corporate governance and there are many initiatives. Individual companies recognise that to become fully integrated into the global economy, high standards of governance will be increasingly expected. Most regulatory bodies have now developed corporate governance standards and guidelines.

Hawkamah, the Institute of Corporate Governance, is working to co-ordinate corporate governance across the Middle East and North African region. Whilst it is developing a consensus regarding the importance of implementing strong risk management frameworks, accountability and transparency, there is clearly much work to be done. In a survey undertaken by the Institute in 2008, 53% of banks and companies surveyed were unable to define what corporate governance meant.

In 2008, there were a high number of corruption charges throughout the Gulf region. Corporate governance is now seen as key to developing the local economies of the region with governments taking a tougher stance to promote transparency and sanction corporations and individuals who transgress.

INTERNAL AUDIT

Internal audit is central in developing and maintaining good corporate governance. Many organisations in the Middle East are implementing new frameworks that incorporate internal audit, risk, compliance, legal, and information security. Previously there has been limited scope for these disciplines to develop. Internal auditing that is risk based, addressing all aspects of an organisation's operations and reporting is relatively new in both the public and private sectors. Co-ordinating internal audit's activities with the other elements of corporate governance is becoming a key objective. There is, however, a long way to go in this process. A major requirement will be the ability to recruit or train appropriately qualified internal auditors to undertake the work.

03. MARKET COMMENTARY

Internal audit was initially established in the region by multinational companies and the banking sector where international requirements and market regulations demanded effective controls. Now, most substantial companies throughout the GCC have internal audit functions and the growth is locally driven. Corporate governance practices have been widely adopted throughout commerce and industry, the public sector and a growing number of privately owned conglomerates involved in real estate, retail and tourism. However, the level of sophistication and the internal audit work they undertake varies immensely.

Historically, internal audit within the region was synonymous with financial auditing and the verification of financial statements as it once was in the UK, Europe and the US. Risk based internal auditing is a relatively new phenomenon and the internal auditors employed by departments reflect this. The majority are typically qualified accountants either from the Middle East or Asia who have trained in an accountancy practice. Many of the managers are ex-pats from the UK, South Africa and Australia nearing the end of their careers who have sought to accumulate capital through tax free income and ex-pat benefits.

This is changing. Risk based internal auditing is becoming the established methodology and appropriately qualified and experienced internal auditors are now in demand.

CANDIDATE PROFILES

Modern corporate governance requires the necessary structures and capability in internal audit, risk management, compliance, legal and information security.

Within internal audit, a first requirement is to hire managers who have experience in modern risk based auditing. High calibre managers are sought who are capable of implementing change and gaining credibility with business and operational management. Requirements are often industry specific, combining strong technical and excellent communication skills. Arabic language skills are occasionally required.

Below management level, wider internal audit skills are increasingly in demand. Recently qualified accountants are still recruited, but managers are seeking an understanding of risk based internal auditing and the ability to undertake value adding reviews. Specific industry skills are valued and it is usual for employers to demand a graduate with a relevant professional qualification. Arabic is more commonly required at this level, particularly in commerce and industry.

IT audit is a less developed discipline across the region compared to corresponding audit functions in the UK, Europe or the US. This may reflect smaller audit universes in terms of the technology infrastructure and the development work required. More likely it reflects a less developed area of internal auditing that will ultimately change. Risk based audit skills and a broad range of IT skills will be required and in smaller functions IT auditors will undertake hybrid audits encompassing both operational and IT audit. IT auditors currently come from a predominantly Big 4 background.

SUPPLY AND DEMAND

Demand for internal auditors in the Middle East was heavily biased towards Dubai during the first half of 2008. **The international nature of the Dubai economy had in some respects come to signify investment and growth in the GCC. Unfortunately, just as its plans to become a regional financial centre were reaching a critical mass, it was hit by the credit crisis.** This has badly impacted its efforts to build a non oil based economy and the five year property boom has ended. This resulted in a virtual freeze on internal audit and corporate governance recruitment in the latter half of 2008 and currently into 2009. Whilst plans to develop corporate governance structures exist, investment and growth will need to recover before significant further recruitment is likely.

Across other areas of the GCC, internal audit recruitment has slowed. Whilst they are not so dependent on external flows of investment and have substantial budgetary surpluses built up from recent years, internal audit recruitment is currently subdued. This does not signify any change in attitude to corporate governance, but is sympathetic with global recruitment patterns.

The world economy is in a deep recession and the resulting uncertainty pervades all decision making. In recruitment, particularly discretionary recruitment, this causes decisions to be deferred. Recruitment is a clear statement of confidence which is absent across the world. The lack of confidence exists not only at a corporate but also a personal level. Many internal auditors are concerned about the risks of changing their employer in these uncertain economic times. Vacancies which might otherwise be created and filled are not as people prefer to defer seeking and accepting new positions.

Within the GCC, the indigenous internal audit population is largely a mix of Arabic and Asian accountants, supplemented by management from elsewhere in the world. **In normal market conditions, this pool of resource is not capable of satisfying the number and calibre of internal auditors required and the shortfall has been sourced from outside the region.**

- At Director and Senior Manager level, companies look to recruit on a global basis. Other than from the US, where due to tax considerations the supply is relatively weak, these senior roles are filled by internal auditors from Asia, Europe, South Africa, Australia, Canada and other countries where internal auditing is more highly developed. The ease of internet advertising and technology to assist in the interview process makes it practical to resource on a global basis.
- At more junior levels there is less international recruitment from outside the region. The costs and logistics make it a less attractive proposition. Companies are more likely to source candidates either locally or from Asia.

In recent years, the supply of potential candidates has been boosted by the economic growth of the region and the perceived lifestyle and career development opportunities that are available. Once the economy of the region recovers, these attractions will remain and there may be a significant benefit. **GCC countries were becoming less attractive as many of the financial benefits had become tempered by recent high inflation. The current downturn is squeezing inflation and lower rates will likely emerge. At any given salary this should make working in the GCC more attractive.** How attractive is often influenced by which country an internal auditor is coming from. However, within the GCC a local recruitment market will develop with a pool of well qualified internal auditors. Market rates will then be more clearly established and defined.

Despite the downturn, there is still a shortage of high calibre, risk trained, internal auditors and, as demand returns across the GCC, we expect the current limitations of the local market to become evident.

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FACTORS AFFECTING RECRUITMENT

There are a number of factors unique to the region that affect recruitment and employment.

1. **High inflation and the cost of accommodation**

   Whilst salary packages and allowances vary, the UAE and in particular Abu Dhabi, have suffered from high accommodation costs. The downturn is likely to at least partially solve the problem of inflation and in the medium term more housing will become available. However, it has seriously debilitated recruitment. This is particularly evident at junior to mid-level roles where the cost of accommodation is likely to be a substantial proportion of the total remuneration package. Some employers have resorted to bulk renting or buying accommodation to house their staff, or providing transport to bring people in from suburban areas. This is unlikely to prove attractive to those wishing to enhance their lifestyle. Whilst the problem is not as acute in other countries, population growth continues to put pressure on housing costs throughout the region.

2. **Immigration quotas**

   Some countries have immigration quotas based on nationality. This restricts companies resident in those countries potentially from recruiting the best candidates. These restrictions vary and affect the range of candidates that can be considered rather than stopping recruitment.

3. **Gender and the employment of women in the region**

   Whilst many countries, notably the UAE, now employ women in internal auditing, the region as a whole does not. Restricting recruitment to men only limits the number of candidates, particularly at senior levels.

"At all levels, the supply of potential candidates has been boosted by the success of the region and the perceived lifestyle and career development opportunities that are available.

04. ANALYSIS BY SECTOR

Here is a review of the market dynamics by market sector:

BANKING AND FINANCIAL SERVICES

Not surprisingly, banking within the GCC has been adversely affected by the credit crunch. Many conservatively managed groups remain relatively unscathed, however, whilst domestic banks, for example in Qatar and Saudi Arabia, have experienced only limited exposure to the international liquidity crisis, many banks in the UAE have been affected. Dubai was in process of becoming the financial hub for the region, but has seen confidence significantly eroded.

Although current demand for internal auditors is limited, in the longer term, the banking and wider financial services industry will continue to grow. Up until 2008, the number of internal auditors employed in the sector was growing annually. Whilst this growth has recently stalled, we are confident it will continue. Expansion will be driven by the demands of the wider economy, the demand for more sophisticated products and increasing regulation, together with the implementation of modern risk based audit methodologies.

The number of internal auditors available locally with the necessary skills and experience is limited. This has resulted in demand for internal audit managers with experience of working in western financial centres and for product and audit risk specialists. Unlike, for example, in London, where internal auditors without banking experience are frequently considered for more junior positions, banks in the GCC require internal auditors to have relevant banking experience.

To get these specialist skills, banks have been willing to pay competitive salaries. Whilst there have been redundancies in some GCC countries, these have not been in sufficient number to change the dynamics of the market. **There is still a shortage of experienced internal auditors. In spite of this, given current market conditions, we would not expect any upward pressure on salaries in the short term.**

The rest of 2009 is likely to see a relatively flat market. Banks in the stronger oil backed countries are likely to replace internal auditors who leave or are internally transferred, whereas in other counties recruitment is more likely to be deferred. The number of new internal audit departments requiring staff will be limited.

However, there remains a major requirement to enhance the internal audit functions of banking and other financial services groups throughout the region. The enhanced regulation that will no doubt be required in other parts of the world will ultimately be required in the GCC.

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PROPERTY, CONSTRUCTION AND REAL ESTATE

In October 2008, we reported that this was a growth sector. Many internal audit departments were recently established and were attracting significant interest from internal auditors. **The sector has now clearly been badly hit by the credit crunch.**

Difficulties are not universal. Where companies are government funded, as is often the case, they remain secure. Even in Dubai, the government owns the two principal developers. However, much of the proposed development has been deferred and cranes lie idle. Rampant property speculation has ceased and there is concern that falling real estate prices will spread more widely across the GCC.

Not surprisingly, many internal audit departments have downsized or not expanded as forecast. Whilst corporate governance remains a priority, when companies are concerned about their survival, a fully staffed internal audit department is not necessarily a priority. Where the viability of the company allows, external recruitment is only being granted for high priority roles.

However, these vacancies are often difficult to fill. Internal auditors who previously perceived the sector as an attractive career choice are now looking at alternative, potentially more secure opportunities. Senior level appointments are of more interest to candidates and good opportunities will always be considered. For junior internal auditors a stable working environment is now a high priority.

Not surprisingly, given the contraction in the sector, there is an increase in the number of internal auditors from the sector entering the market, particularly at more junior levels.

Industry specific experience is required for those vacancies that are emerging and candidates are still being sought from outside the region for Head of Audit or Director of Audit vacancies. Salary expectations are now subdued, although companies still need to be flexible to attract experienced candidates for high profile appointments.

Measures are being put in place throughout the GCC to curb the impact of the credit crunch. Countries such as Qatar and Kuwait have closely monitored the property market to avoid the significant downturn that has affected the UAE and particularly Dubai. Recent government initiatives will have a positive effect. For example, the $10 billion injection by the UAE Central Bank Government will help Dubai settle financial obligations and fund outstanding projects.

The outlook for the sector in 2009 remains weak and we expect only limited recruitment.

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ENERGY

The exploitation of oil and gas reserves still remains the dominant industry throughout the GCC. **Although oil prices are now far below the peaks achieved in 2008 and production has fallen, demand for internal auditors has continued into 2009.** This is perhaps not surprising. Internal auditing is well established in energy companies throughout the region and these companies have vast experience of dealing with fluctuating pricing and production environments.

Nearly all the major energy companies have recently recruited. The attraction of working in the sector extends both locally and also outside the region. Indeed **the Middle East has become more appealing as demand has fallen for internal auditors with energy experience in other countries. Good risk knowledge remains sought after and the demand for senior, more experienced staff has increased.** Companies in Saudi Arabia, Qatar and Kuwait have recently led recruitment and even those in the UAE have featured.

Unlike other sectors, there is a well developed local market for internal auditors able to provide recruits for most vacancies. The Big 4 remains a good source of candidates. At more junior levels, the industry has been able to recruit internal auditors who are seeking a more secure sector to work in. For more senior appointments, candidates with significant sector experience, especially those who can implement risk and audit frameworks, are required. Candidates for these positions are likely to come from outside the region.

We currently expect demand to continue throughout 2009 across the GCC.

PUBLIC SECTOR

Demand for internal auditors from the public sector has slowed, but remains both from central and local government functions and state audit bodies. There is widespread recognition of the importance of effective corporate governance within the public sector and this is being reflected by increased spending on policy and regulation.

Previous knowledge and experience of risk based auditing has been an essential requirement and public sector experience a priority for most appointments. At more junior levels, public sector bodies across most GCC countries are aiming to recruit and train local graduates in order to establish a local pool of skills.

The increase in demand has not resulted in any dilution of standards. In fact, many potential recruits are not being rejected on their academic or professional qualifications, but on the basis of personal credibility and understanding of a risk based audit approach.

The availability of experienced public sector auditors is still limited and much of the recent recruitment, particularly at more senior levels, has been sourced from outside the region. This is likely to continue. Inevitably, **salaries have had to become more competitive to attract good candidates and, despite current budget constraints, they are likely to remain so.**

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BIG 4 AND OTHER EXTERNAL AUDIT PROVIDERS

The Big 4 recruit and train auditors throughout the GCC. It is no different from any other region in the world and they provide a pool of experienced staff from which other sectors recruit. However, **as elsewhere, the usual migration from the Big 4 to industry and commerce has slowed significantly. As a consequence, the Big 4, already affected by a slowdown in demand for their services, has not needed to recruit internal auditors. The only exception appears to have been for fraud and investigation specialists.**

Many auditors within the Big 4 are from India and Pakistan with the majority moving into the Middle East from other practice firms. Standards vary with, for example, a Big 4 manager not necessarily being at the same level as one working in the UK. This is largely due to their risk based auditing knowledge.

For those working in the Big 4, the attraction of transferring to an in-house role remains, although opportunities are currently limited. This is allowing the Big 4 to substantially retain their staff, even though their salaries are generally not as competitive as other sectors.

The outlook for the Big 4 in 2009 is uncertain. If the GCC economy rebounds strongly, then the Big 4 will need to recruit. It is also likely that their recruitment will diversify into other areas of corporate governance such as fraud.

COMMERCE AND INDUSTRY

Countries in the GCC and particularly the UAE are developing a commercial and industrial base. For example, the Dubai Aluminium Company has become the seventh largest producer of high quality aluminium and the area is the fastest growing aluminium hub in the world. The development of an industrial base is resulting in a number of new internal audit departments becoming established.

Not surprisingly, there are few locally based internal auditors with the necessary experience to lead these departments. At more junior levels, other sectors are often perceived as more attractive to work in.

Demand for internal auditors has been slower in 2009. Due to the challenging economic conditions, this is likely to continue throughout the year. However, the expansion of industry in all GCC countries will ultimately lead to a growing demand for internal auditors.

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05. ANALYSIS BY COUNTRY

Here is an analysis of current recruitment patterns in the different GCC countries:

UNITED ARAB EMIRATES

Dubai

Like most major financial centres throughout the world, during the first quarter of 2009, Dubai suffered a steep decline in recruitment, with all sectors experiencing some form of hiring freeze. Dubai's economy is currently flat with its foundation of trade, financial services, real estate and tourism all badly hit. Investment is falling and many prestigious projects, such as the Trump Towers, have been delayed or cancelled. It is anticipated that the recent $10 billion government bond subscription by the Central Bank of the UAE should help free local banks to lend and therefore revive the business and real estate sectors.

Not surprisingly, the internal audit market has been significantly impacted. There have been redundancies in the banking and real estate sectors and only essential recruitment is being sanctioned. Many departments have vacancies but the Head of Audit does not have the authority to recruit. Presently, the recruitment market shows no sign of turning.

These recent developments have changed the perception of Dubai. Its economic stability is now more likely to be questioned. When, and if, vacancies are actively recruited for later this year, it may prove more difficult to attract candidates from overseas. On a more positive note, with property prices and rents both falling, it should be cheaper to live and therefore work in Dubai.

Abu Dhabi

As would be expected from the Emirate that has 8% of the world's oil reserves, Abu Dhabi remains in a strong fiscal position. The Abu Dhabi Investment Authority, with over $800 billion of investments, is thought to be the largest sovereign wealth fund in the world. Major investment on infrastructure, education and cultural projects is continuing and will underpin economic growth in 2009. Internal auditing has a high profile in Abu Dhabi with the government taking the lead in developing its main audit body.

The oil and gas and utilities sectors which make up a significant part of the economy are stable and the demand for internal auditors from these sectors is continuing. Whilst recruitment has undoubtedly been subdued with the banking sector, recent government funding should help maintain confidence.

At more junior levels, the current lack of affordable accommodation represents a significant challenge to those companies and organisations who wish to recruit non resident internal auditors.

KUWAIT

Kuwait is the third largest economy in the GCC. Oil accounts for over 50% of the economy and over 80% of government revenues. Kuwait is unique in the GCC in that its currency does not have a peg to the US$. **Whilst Kuwait has been relatively slow to diversify its economy away from energy, government spending is planned to be expansionary during 2009 with upgrades to its infrastructure and oil industry.** The government is also in the process of implementing an economic rescue package aimed at protecting the financial system. It will rescue a number of investment companies and purchase toxic assets to shore up the banking sector.

Currently there is a far more cautious approach to internal audit recruitment. This will no doubt remain throughout the year. Within banking and financial services, there has been limited recruitment, but as in Dubai and elsewhere, only for high priority positions. **There is more recruitment activity within the energy sector. A number of established internal audit departments are continuing to strengthen their teams.** Whilst more junior auditors can be recruited locally, candidates for more senior positions are more likely to be found internationally.

As a country, Kuwait is proving to be attractive to many candidates and is now seen as a viable alternative to the UAE.

Abu Dhabi remains in a strong fiscal position. The Abu Dhabi Investment Authority, with over $800 billion of investments, is thought to be the largest sovereign wealth fund in the world. Major investment on infrastructure, education and cultural projects is continuing and will underpin economic growth in 2009.

KINGDOM OF SAUDI ARABIA

Saudi Arabia is by far the largest population and economy in the GCC. It is also the largest oil producer in the world and energy production accounts for almost 50% of GDP. It currently has record budget surpluses, but is committed to a deficit in 2009 as the government increases public spending to bolster the economy. **The Saudi economy has escaped many of the worst effects of the credit and liquidity problems that have impacted other GCC countries.**

Saudi Arabia is currently continuing to recruit across nearly all its major sectors. Its economy has been subject to less speculation and is not dependent on real estate and banking, sectors that have been badly hit in other countries. It is also benefiting from now being able to attract internal auditors from other GCC countries.

Demand for internal auditors is coming from a number of start up banking and financial services organisations and the energy sector remains strong. A number of major development projects are currently underway and government institutions are actively recruiting.

A challenge in recruiting internal auditors in Saudi Arabia is the more frequent need for fluency in Arabic and, like other GCC countries, there is a knowledge gap in sophisticated risk based auditing. Many senior appointments continue to be sourced from outside of the Middle East.

Salary levels remain relatively high in the Kingdom and they have historically been required to attract good quality internal auditors. The outlook for 2009 is optimistic and there is likely to be a higher demand for internal auditors than in other GCC countries.

BAHRAIN

Bahrain is a relatively small, diversified and open economy. Oil accounts for 30% of its GDP and 60% of government revenues. It has a relatively large banking and financial services industry. **Although recently eclipsed by Dubai, Bahrain was the financial hub of the Middle East. Not surprisingly, many local financial institutions have been hit by the credit crisis and this has stalled internal audit recruitment.**

Corporate governance is relatively well developed in Bahrain and there is a high proportion of expatriate internal auditors, particularly in Head of Audit positions. The Big 4 also have a strong presence.

Internal audit recruitment has so far been subdued in 2009 and we expect this trend to continue until confidence returns.

QATAR

Qatar is the smallest of the GCC countries, but one of the richest. With the second largest gas reserves in the world, it has a diversified, open economy which, due to its LNG exports, will continue to grow throughout 2009. Whilst Qatar has not been immune from slumping real estate prices and tightening liquidity, the government has the resources to comfortably maintain high levels of spending and investment.

The recruitment market for internal auditors is relatively small, but is currently more buoyant than other GCC counties. Demand from the banking and financial services sector is subdued, but **demand looks set to remain strong in the energy and public sectors during 2009. Increasing investment in tourism and real estate is likely to stimulate further demand.**

OMAN

Oman does not have the immense energy resources of its neighbours. However, the economy grew strongly in 2008 and is forecast to grow at a more modest 2% in 2009. The government has a sufficiently large financial surplus built up in recent years to increase investment and to offset the fall in the price and production of energy. In response to dwindling energy reserves, the government is actively pursuing a development plan that focuses on diversification.

Whilst internal auditing is relatively under developed in Oman, demand is likely to grow during 2009 and in future years.

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06. SALARIES

OVERVIEW

A large proportion of the working population in the GCC are expatriates and, as a consequence, remuneration is complex. These expatriates are sourced from different countries with varying pay and purchasing power. Similarly, within the countries that make up the GCC there are differing costs of living and remuneration.

There are also areas such as the public sector where recruitment from other sectors is infrequent. As a result, salaries are generally lower as they do not have to compete externally. Furthermore, whereas external auditors were previously recruited from the Big 4, recruitment is now focused on securing internal auditors with relevant industry specific experience.

TOTAL REMUNERATION

As salaries across the region have been largely influenced by expatriate recruitment, they are invariably augmented by other benefits. The most valuable of these are accommodation and transport costs. These other benefits combine with base salary to represent total remuneration. What constitutes total remuneration varies between countries and there are exceptions within individual countries. However, the following provides a broad outline:

Saudi Arabia, Kuwait, Bahrain, Oman and Qatar

- Base salary
- Additional benefits - accommodation costs (normally adequate to rent), education allowance, family medical insurance, set up costs, annual flights, bonus

United Arab Emirates

- Base salary + expense allowance = Gross salary
- Additional benefits - education allowance, family medical insurance, annual flights, bonus

The main difference is that in the UAE the expense allowance is a cash figure paid monthly mainly in lieu of accommodation costs. It is not usually adequate to cover the cost of accommodation. Base salary is normally around 60% of gross salary. This is important because where a bonus is also offered this may be paid as a percentage of base rather than gross.

Bonuses vary across industries and there is no set pattern. In general, roles in the banking sector pay bigger bonuses than in other sectors and for auditors, the bonus can be generous compared to their counterparts in say the UK or Australia. However, although we can expect bonuses to decline in 2009, even within the banking industry, there is no established percentage.

Given the current cost of living in the UAE, salaries in general offer less in terms of spending power than those in the rest of the GCC, despite the recent fall in inflation.

SALARY SURVEY

Total remuneration varies throughout the GCC in terms of the salary, other benefits and bonuses that may be paid. For the purpose of this survey we have chosen common examples of job types and evaluated the salary range that would have to be offered to attract appropriate candidates. We have excluded bonuses.
We recognise that the make up of total remuneration varies across the region and, for ease of comparison, we have divided salaries between what could be expected in the UAE and other GCC countries. The following can be assumed about the annual salaries shown in the table:

UAE - salaries shown are "gross" salary and reflect the cash figure paid, inclusive of cash benefits, which includes any allowance for accommodation. In addition to this figure there would be extra benefits including education allowance, family medical insurance and annual flights.

Rest of GCC - salaries are shown as 'base' salary. In addition to this figure there would be extra benefits including accommodation allowance, education allowance, family medical insurance and annual flights.

As salaries across the region have been largely influenced by expatriate recruitment, they are invariably augmented by other benefits. The most valuable of these are accommodation and transport costs

	UAE	Rest of GCC
Head of Internal Audit Min. 10yrs PQE qualified accountant with extensive experience gained within a commercial / public sector organisation.	$160 - 210,000	$120- 160,000
Senior Audit Manager Qualified accountant, multi-site audit manager with high level of experience gained within the private sector.	$85 – 110,000	$75 – 100,000
Audit Manager At least 5yrs PQE, manager with a high level of experience across commercial organisations.	$75 – 90,000	$65 – 85,000
Senior Auditor Newly qualified or 2/3yrs PQE, trained in Big 4 with industry experience.	$70 – 90,000	$55 - 75,000
Internal Auditor Part qualified accountant of graduate calibre, with experience in the private sector.	$50 – 70,000	$40 – 60,000
Head of IT Audit Qualified, min 10yrs PQE, extensive senior management responsibilities and exposure.	$130 – 160,000	$90 – 120,000
Senior Computer Auditor QiCA / CISA qualified graduate, Big 4 trained with significant computer audit experience.	$60 – 80,000	$45 – 65,000
Computer Auditor Part qualified CISA / QiCA auditor within Big 4.	$35 – 45,000	$25 – 40,000
Head of Internal Audit Group audit responsibility for a Middle East international bank.	$220 - $270,000	$180 – 240,000
Senior Audit Manager Divisional audit responsibility for an international bank.	$140 – 170,000	$100 – 140,000
Senior Auditor Qualified accountant with supervisory responsibilities in a retail bank.	$85 – 100,000	$80 - $95,000
Treasury Audit Manager Managing specialist treasury audit projects in a bank.	$90 – 125,000	$85 – 110,000

FUTURE DEVELOPMENTS

The demand for internal auditors will most likely remain subdued for at least the next six months. However, by the end of 2009, we expect demand will again outstrip the supply of internal auditors available locally. For more specialist roles this remains the case even with the recent fall in demand.

In time, a pool of permanently resident internal auditors will become established and a truly local market will develop. In the medium term, the reliance on expatriate internal auditors will continue.

Despite the region becoming a popular destination, once the market recovers, competition for expatriates will be strong. Currently, the remuneration packages on offer tend to be commensurate with a candidate's previous salary. Whilst we cannot underestimate the attraction of a tax free salary, local living costs, as a result of inflation, have become expensive and compensation will need to be offered to counter this. Whilst inflation rates are currently declining, employers will have to be wary that if they do not take these expenses into account they may struggle to attract the best candidates.

07. OUTLOOK

It is clear that the damage to the world's financial system has not been contained and the global economy is facing a severe recession. All the economies of the GCC are being affected to varying degrees. The region is being specifically hurt by falling oil revenues caused by the combination of falling oil prices and production. However, those countries with large sovereign reserves built up in recent years are boosting economic growth by increasing government investment. They are also well placed to make good the losses in their financial systems. Unfortunately, those countries and sectors that are more dependent on foreign investment are likely to experience a deeper and more protracted slowdown.

It is widely recognised that a weakness in the economic development of the GCC is its immature corporate governance. However, as a result of both international and local initiatives, corporate governance and specifically internal audit is growing in stature and influence. This development is vital if the region is to be properly integrated into the world economy. The global recession will ultimately reinforce this need. Banking and financial services will be more tightly regulated globally and international institutions based locally will need to respond, as will privately owned conglomerates who wish to attract foreign investment. In the medium term, the demand for internal auditors will grow.

In internal audit recruitment terms, the global recession has the potential to benefit the region. It will take some years for a mature local internal audit recruitment market to develop in the GCC and the recession is currently freeing up internal audit expertise and making available otherwise redundant internal auditors to work in the region.

Given the economic backdrop both locally and globally, the demand for internal auditors will be subdued in 2009. However, that should not cloud the medium and long term prospects for the internal auditing profession in the GCC.

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