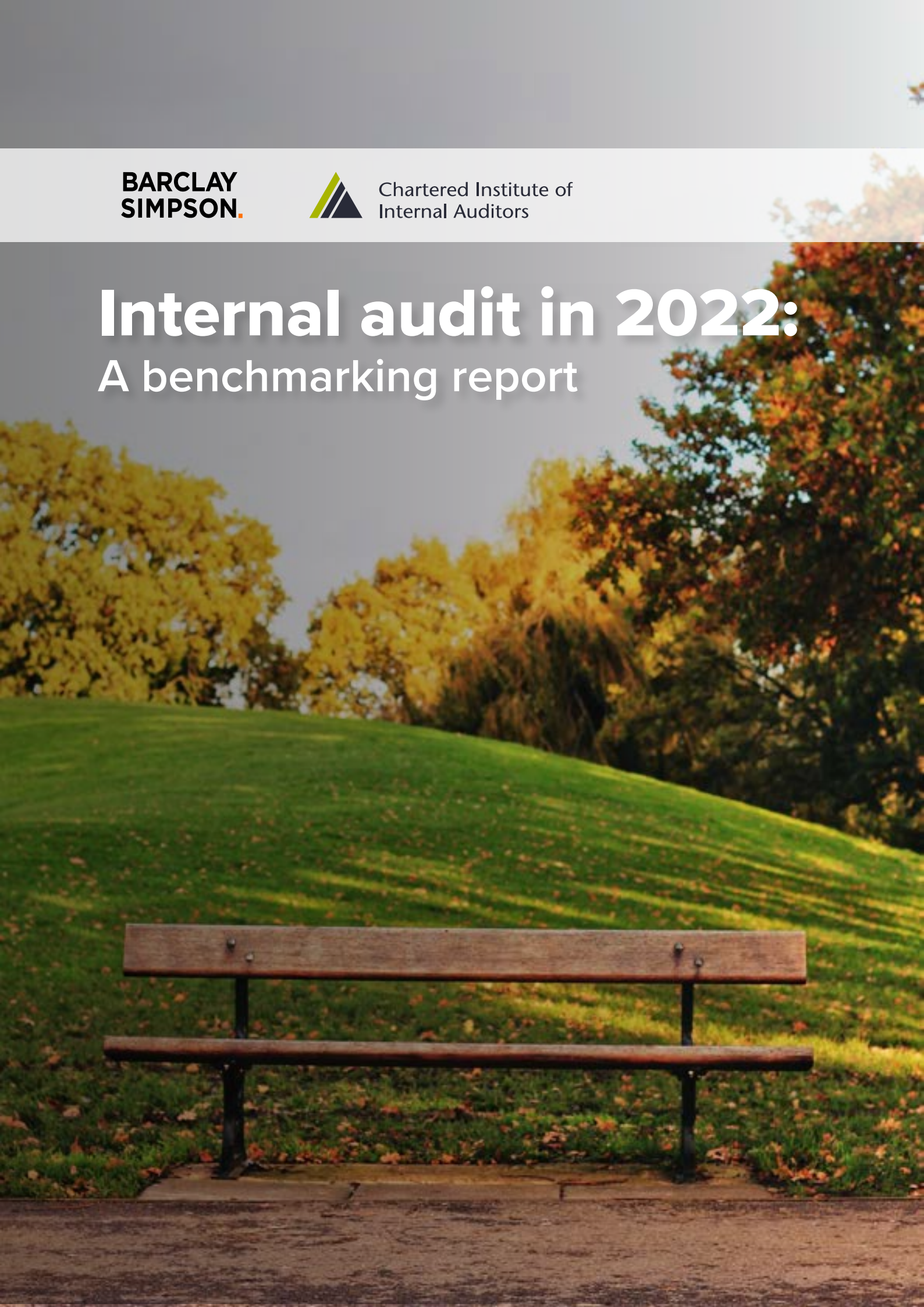


**BARCLAY  
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Chartered Institute of  
Internal Auditors

# Internal audit in 2022: A benchmarking report



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## Foreword

### “How does my internal audit function compare to others?”

This is a question that many of our members ask both themselves and us here at the Chartered Institute of Internal Auditors (Chartered IIA). It’s also a question that we believe is best answered with accurate benchmarking.

Done correctly, benchmarking is a powerful tool that provides access to comprehensive comparative data, which enables internal audit leaders to better understand, manage and develop their departments.

With this in mind, the Chartered IIA has partnered with specialist internal audit recruitment consultancy Barclay Simpson to deliver profession-wide insights through our inaugural benchmarking report.

Our aim is to present a broad overview of key metrics across internal audit departments, including the composition of teams, budget sizes, skills and resourcing needs, as well as inclusion and diversity progress.

Through our partnership with Barclay Simpson, we have been able to reach out across our extensive combined networks to maximise the responses to the survey that underpins this report. We are very grateful for their support and contributions.

We would also like to thank everyone who took the time to respond to our survey. Your contributions are always greatly appreciated, and we welcome any feedback that you may have regarding our process or findings.

While we have sought to provide a balanced and representative snapshot of the internal audit function, it is worth noting that the majority of respondents (53%) lead teams of five or fewer people, and 33% operate within the financial services sector.

We encourage our readers to consider these factors when reviewing our findings. Nevertheless, we hope our report proves to be a useful benchmarking guide for Chief Audit Executives (CAEs), audit committees and other internal audit professionals in the UK and Ireland.

Thank you for reading.

**John Wood**  
CEO

## Methodology

To collect the data for this report, a 'State of the Profession' survey was distributed to CAEs across the UK and Ireland between 25 January and 16 February 2022.

This was an anonymous survey, meaning no personal identifiable information was collected from respondents. It was conducted in a manner that ensured individual responses cannot be linked to those who participated.

We received responses from 264 professionals, who work across a range of sectors and organisation sizes. Most respondents were CAEs or equivalent, although some were not (81% versus 19%). Nearly three-quarters (74%) are Chartered IIA members.



## Executive summary

The results of our inaugural benchmarking survey illustrate the considerable diversity of internal audit functions across the UK and Ireland. It is clear from the responses we received that a 'typical' audit department is difficult to define. Every function operates differently, depending on the size of the team, organisation and budget, and they each have unique skills and resourcing challenges.

It is beyond the scope of this report – and indeed any benchmarking report – to establish what a best-practice internal audit department looks like. Benchmarking simply reflects the current state of the profession. However, we believe it is a valuable exercise that delivers important insights into how CAEs and their teams approach the challenging task of delivering high-quality independent and objective assurance in a rapidly evolving world.

Where appropriate, we have also referred to the Internal Audit Financial Services Code of Practice Guidance on effective internal audit in the financial services sector and the Internal Audit Code of Practice Guidance on

effective internal audit in the private and third sectors to provide context to some of this report's findings.

Our 'State of the Profession' survey asked audit leaders 29 questions across four key categories:

1. The internal audit function: size, sector and budgets
2. CAEs in focus: tenure, reporting lines, EQAs and remuneration
3. Inclusion and diversity: current practices and areas for improvement
4. Skills and resourcing: headcounts, skill gaps and co-sourcing

While this is our first report, we do not intend for it to be the last. We are keen to continue tracking benchmarking data, allowing us to monitor important internal audit trends over time. This will therefore be an annual report, with future editions building on the core foundations laid out in the following pages



## Key Results

### The internal audit function

1. 53% of functions contain five or fewer auditors
2. 26% of teams need budget increases of at least 10% to meet expectations
3. 35% of CAEs plan to expand their teams in 2022

### CAEs in focus

1. 34% have been in their role for more than seven years
2. CAE base salaries are typically between £100,001 and £150,000
3. 34% have never conducted an EQA

### Inclusion and diversity

1. No single gender represents more than 55% of the function at 52% of organisations
2. 74% of departments maintain a gender balance that does not exceed 59% in favour of one gender
3. 27% of CAEs have tailored their hiring practices to eliminate bias

### Skills and resourcing

1. 52% of teams are fully staffed
2. 70% of CAEs require formal qualifications from candidates
3. Co-source is most commonly used for technology audit (27%) and cyber security expertise (27%)



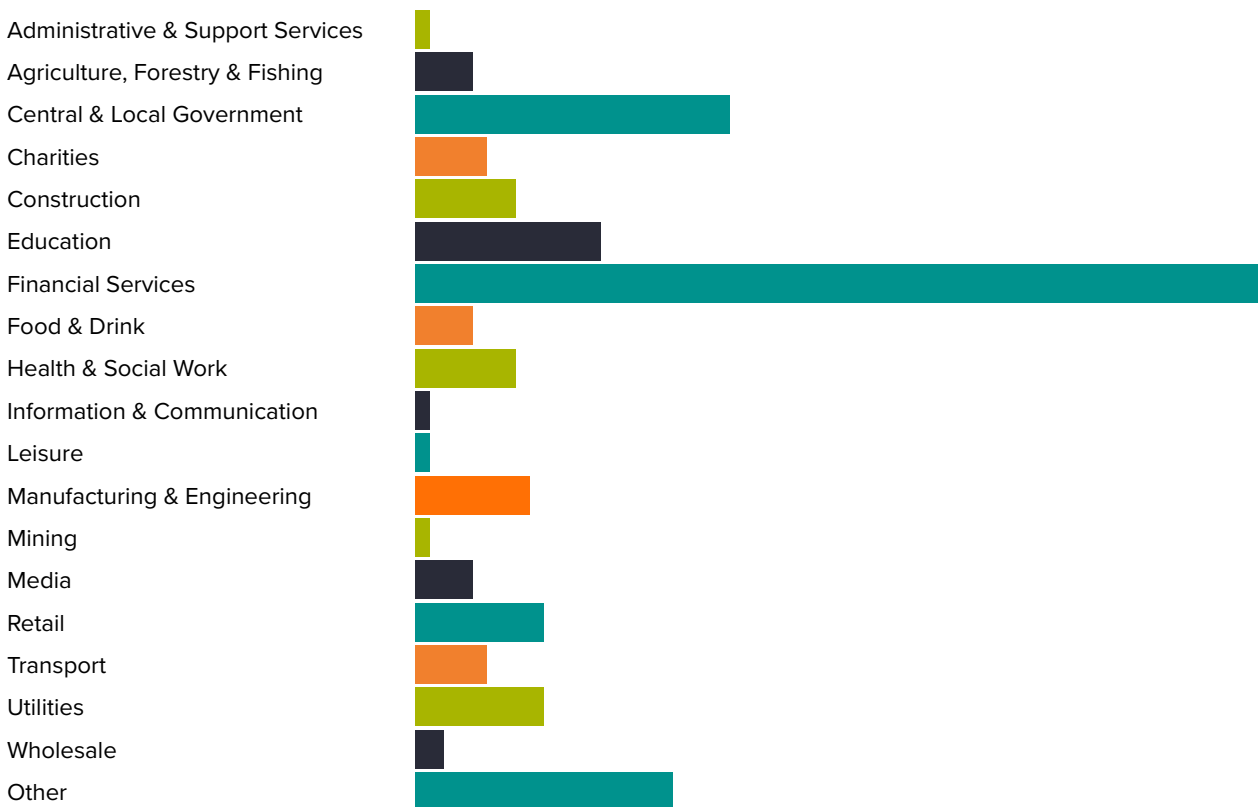
## Our findings: The internal audit function

### Organisation size and sector

Nearly a third of the CAEs (32%) we polled work for organisations that employ between 1,001 and 5,000 people. This was the most common workforce size, followed by 251 to 1,000 employees (20%) and 5,001 to 10,000 employees (17%).

As mentioned in our foreword, financial services firms comprised a third of all organisations, with central & local government (12%) and education (7%) the second and third most represented sectors, respectively.

### Which sector does your entity operate in?



**"The charity sector is not yet investing enough in internal audit. The lack of interest of the Charity Commission is a key driver of this underspend, but there also needs to be better awareness among charity leaders of internal audit and its value."**

– Survey respondent

Focusing on internal audit teams specifically, 53% of CAEs lead functions that contain five or fewer auditors, while 39% have between six and 50. Only 6% of respondents said their team has more than 50 auditors, and a very small minority (1%) outsource the function.

From a budget perspective, the majority of organisations (54%) are allocated up to £500,000 per year, whereas 41% have between £500,001 and £5 million to spend. Budgets of more than £5 million were reported by just 5% of CAEs. A more granular breakdown of budget allocations is provided in the figure below.

Overall, the vast majority (85%) of CAEs report that internal audit's budget represents 0.5% or less of their organisation's total revenues. Given the significant benefits that can be gained from a robust internal audit function, we believe organisations could unlock further value with even small, incremental increases to their budget as a proportion of revenues.

### How much is the internal audit budget?





## Budget and staffing needs

An effective internal audit function must be properly resourced to perform its primary role of providing independent assurance to an organisation. As such, team sizes and budgets should be proportionate and sufficient for the function to meet its responsibilities and achieve the key strategic objectives outlined in the audit plan.

The audit committee should be responsible for approving the internal audit budget and, as part of the board's overall governance responsibility, should disclose in an annual report whether it is satisfied that the function has the appropriate resources.

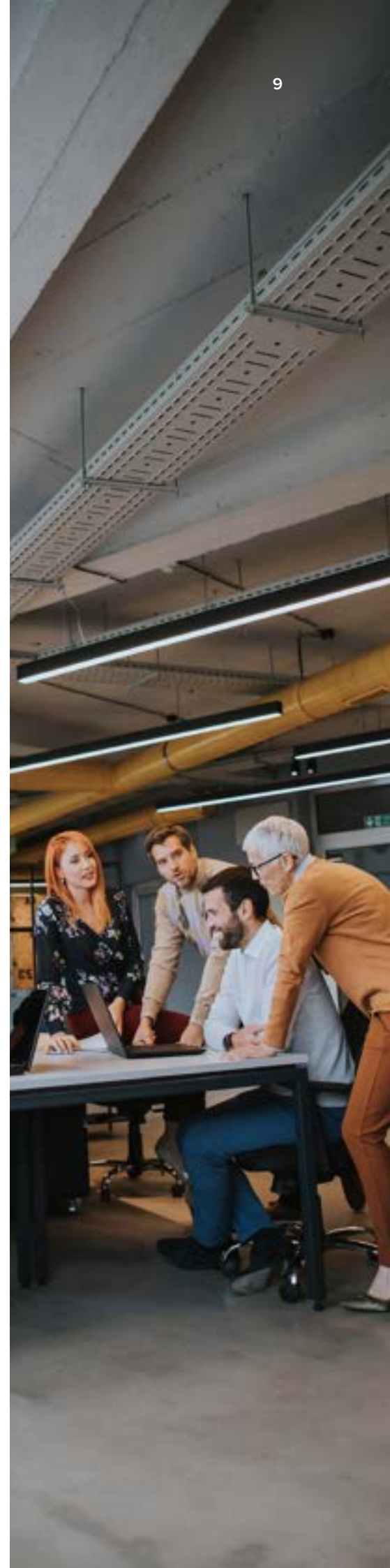
It is concerning, then, that more than a quarter (26%) of CAEs believe their budgets must rise by at least 10% to deliver the level of service expected by the board, audit committee, stakeholders and themselves. In total, 36% say their budget must increase if they are to fulfil their responsibilities.

Meanwhile, more than a third (35%) of internal audit teams are also planning to expand in 2022. This is not a surprise, given rising expectations on the function and growing workloads. However, highly skilled candidates are currently in short supply, so CAEs may struggle to find people with the right skills in the current climate.

If CAEs are not able to secure the budget or staff required, how is this affecting their performance? And what actions are they taking to remedy the situation? We would urge audit leaders to regularly communicate their resourcing needs to the audit committee or board to ensure they can be appropriately met.

**"Do organisations with outsourced services feel they are getting good quality internal audit from providers? We are also keen to understand how organisations with limited budgets make the most of it."**

– Survey respondent



## CAEs in focus

It is important for CAEs to be senior enough within an organisation to challenge the executive, which means possessing the appropriate standing, access and authority within the organisation to do so.

CAEs should also ensure internal audit has the right to attend and observe executive committee meetings and any other key management decision-making fora, so the function can better understand the strategy of the business and adjust its priorities where necessary. In this section, we examine CAE trends in more detail.

### Tenure

Independence, objectivity and integrity are some of the key attributes of an effective CAE. The Internal Audit Codes of Practice place responsibility on the audit committee chair to be alert to any impairment of these qualities.

**"The Chartered IIA requires audit committees to consider the tenure of the CAE as part of their annual appraisal. Where tenure exceeds seven years, the audit committee should explicitly discuss annually the chair's assessment of the chief internal auditor's independence and objectivity."**

### IA Codes of Practice

For example, bias and compromise may begin to affect assurance opinions when relationships deepen between the CAE and other stakeholders within the organisation<sup>1</sup>. These issues typically build up over time, which is why a formal tenure assessment is recommended after seven years. Reviewing this annually as part of the CAE's appraisal is also good practice<sup>2</sup>.

It is therefore interesting to see that more than a third (34%) of CAEs have been in their role for more than seven years. Where this is the case, we hope that organisations are doing everything necessary to uphold the independence and objectivity of the internal audit function.

Notably, 16% of respondents have been in their post for less than a year, perhaps reflecting heightened hiring activity in a busy post-pandemic recruitment period.

<sup>1</sup> Further information on assessing the independence, objectivity and tenure of a CAE is available on the Institute's website: <https://www.iaa.org.uk/resources/audit-committees/how-to-assess-the-independence-objectivity-and-tenure-of-a-cae/>

<sup>2</sup> For technical guidance regarding performance appraisals, please visit: <https://www.iaa.org.uk/resources/audit-committees/the-cae-hia-performance-appraisal/>



## Reporting lines

The Chair of the audit committee should be the primary functional reporting line for CAEs. If internal audit has a secondary reporting line, it should be someone who promotes, supports and protects internal audit's independent and objective voice.

Ordinarily, the CEO is the best person to fulfil this role in order to preserve autonomy from any particular business area or function. CEOs can also establish and build the standing of internal audit alongside the executive committee members.

However, with the agreement of the Chair of the audit committee, the secondary reporting line could be to another member of executive management.

Our survey results show that more than half of CAEs (54%) said their primary reporting line is the Chair of the audit committee, with a further 8% reporting to both the Chair of the audit committee and the CEO.

While this is an encouraging result, we were a little disappointed to see that 16% of respondents still report primarily to the CFO, an arrangement that can create a conflict of interest and undermine the independence of the internal audit function.

## External Quality Assessments (EQAs)

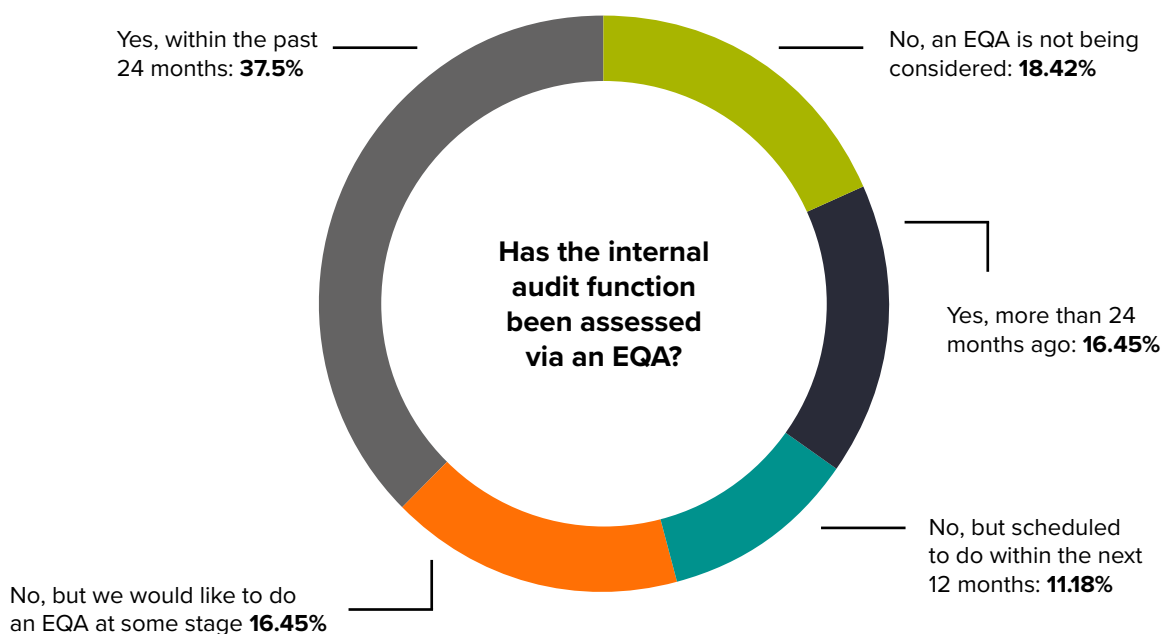
The Chartered IIA's Standard 1312 states that external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The CAE must discuss with the board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

An EQA provides an independent 'assurance' to the audit committee regarding internal audit's performance by assessing the function's conformance with the IIA Standards.

Despite 37.5% of CAEs confirming they had undergone an EQA within the last two years, we were surprised that a third said their department had never been assessed. It was particularly alarming that 18% confirmed an EQA is not even being considered.



<sup>3</sup> A recent report from the Chartered Institute of Public Finance and Accountancy (CIPFA) shows the figure is far higher than 16% in most public services organisations. In the NHS, for example, more than 80% of chief auditors report to the finance director. For more information, please refer to CIPFA's report: <https://www.cipfa.org/cipfa-thinks/insight/reporting-on-internal-audit>

## Remuneration

When our benchmarking survey was conducted earlier this year, the internal audit recruitment market was extremely buoyant, and this has continued to be the case throughout the first half of 2022.

Pent-up demand from both the pandemic and Brexit – combined with ongoing candidate shortages and increasing expectations on the function – has therefore caused upward pressure on internal audit salaries, and CAEs are no exception<sup>4</sup>.

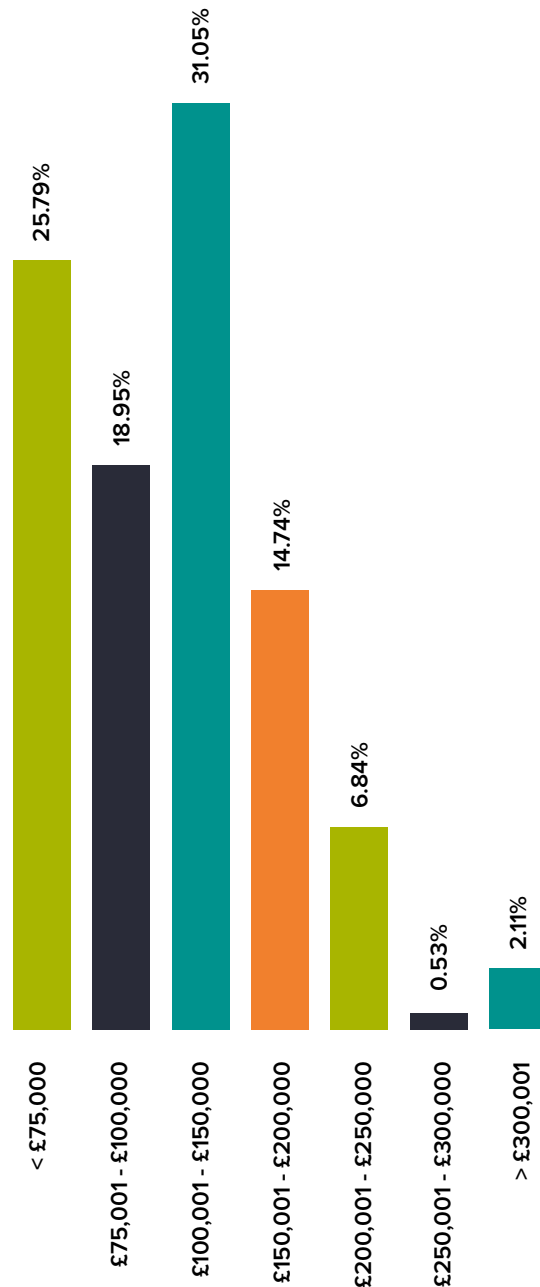
Base salaries for CAEs vary considerably depending on the size of an organisation and the industry within which it operates. Nevertheless, nearly a third (31%) of survey respondents reported earning between £100,001 and £150,000, making it the most frequently cited salary range.

This was followed by CAEs earning £75,000 or less (26%) and those on between £75,001 and £100,000 (19%). Fewer than one in ten CAEs reported a salary exceeding £200,000. A more detailed breakdown of base salaries is presented on the right, and we hope to provide year-on-year updates to changes in CAE salaries in subsequent reports.

While our general view is that internal auditors should not be incentivised in the same way as other professionals – in order to retain independence and objectivity – we also polled CAEs on their total reward package. This included base salary, bonuses, pension contributions and long-term incentives.

The results show that 75% of CAEs receive remuneration of up to £200,000, with 34% of these earning below £100,000. One in seven earn more than £250,000.

### What is the base salary of the CAE?



<sup>4</sup> For more CAE salary information, please refer to Barclay Simpson's Internal Audit Salary Guide: <https://www.barclaysimpson.com/internal-audit-salary-guide-2022>

## Inclusion and diversity

Both the Chartered IIA and Barclay Simpson strive to promote inclusion and diversity (I&D) within our organisations and membership. We also encourage the audit profession to embrace these values within their teams.

Our survey therefore included several questions regarding current levels of diversity within internal audit functions, as well as what CAEs are doing to improve I&D more broadly.

### Diverse teams

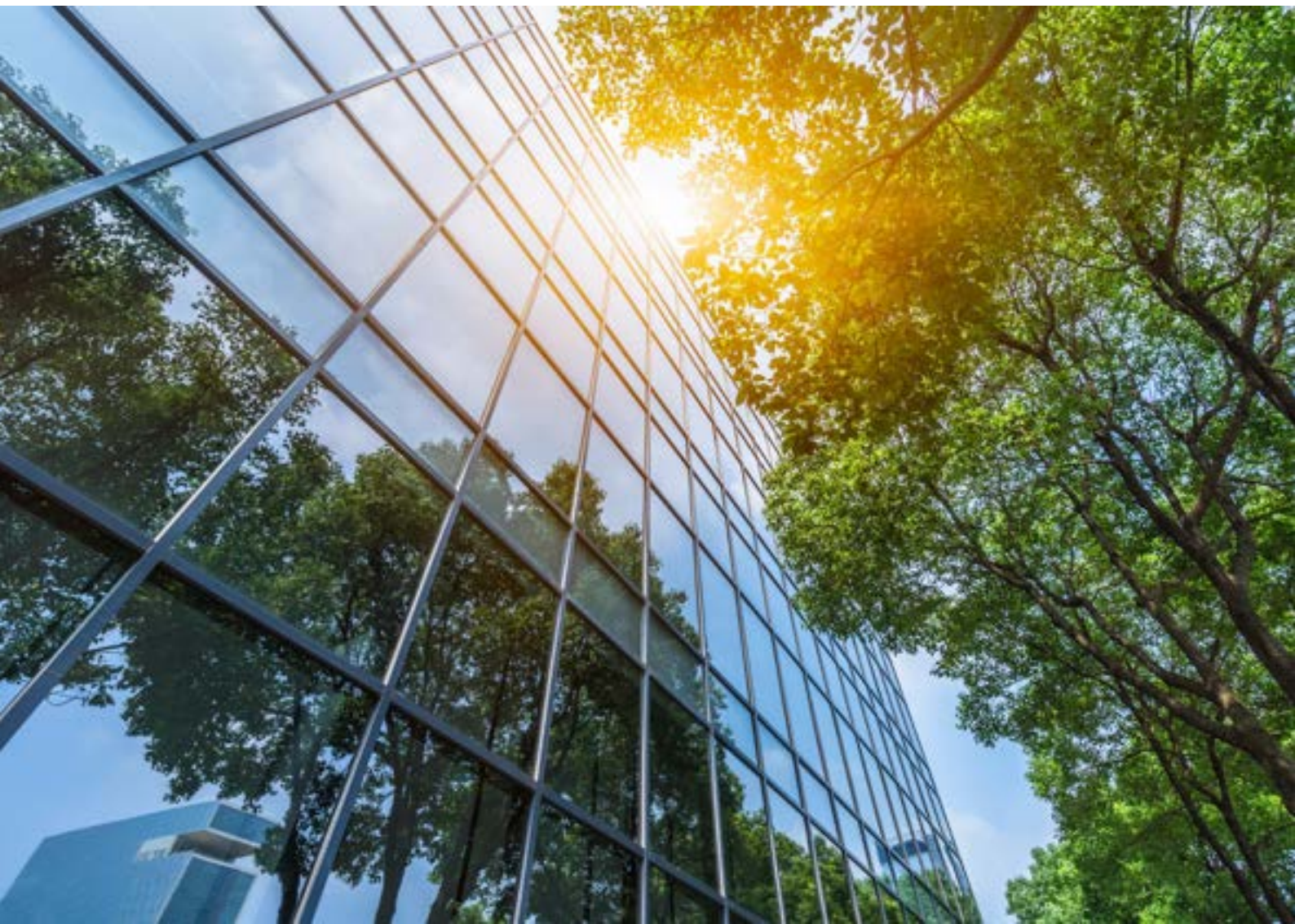
We were extremely pleased to see that many of the CAEs we surveyed agreed their department is diverse in terms of race, ethnicity, gender and other protected characteristics. This supports our own experiences of internal audit being a welcoming, inclusive profession.

Nonetheless, there is still work to be done to improve I&D within some internal audit teams. For example, only 4% of departments reported employing someone who has a registered disability.

When asked what inclusion and diversity policies or practices have been implemented within their departments, the most common responses from CAEs were:

- Hiring practices have been designed to eliminate bias (27% of respondents)
- Pay equity exists across internal audit (26%)
- Minority groups are represented in a way that is proportionally reflective of the UK and Ireland's wider make-up (17%)
- Religious and cultural considerations are acknowledged and catered for (13%)

In future benchmarking surveys, we hope to delve deeper into organisations' approaches to inclusion and diversity in order to provide a more comprehensive overview of this important area.





### Gender diversity

The gender split across internal audit departments continues to be encouraging.

More than half (52%) of CAEs say gender diversity is well balanced within their function, with no single gender representing more than 55% of the team<sup>5</sup>. In total, nearly three-quarters (74%) of organisations maintain a balance that does not exceed 59% in favour of one gender.

That said, we believe there is still room for improvement at senior levels. Of the 264 professionals who responded to our benchmarking survey, only 38% defined their gender as female. We hope this percentage continues to increase in

subsequent surveys, as more women are promoted into leadership roles.

On the positive side, we were delighted to see that 1% of our respondents are transgender; a figure which suggests the number of trans people at the senior level of audit is proportional to their representation within the wider community<sup>6</sup>.

However, we should clarify that not all respondents described themselves as CAEs or equivalent – nearly a fifth confirmed they were not the overall leader for the internal audit function. Our findings must therefore be considered with this caveat in mind.

<sup>5</sup> These figures only include teams with more than five full-time equivalent (FTE) auditors to avoid issues of high variance within small datasets.

<sup>6</sup> <https://www.stonewall.org.uk/truth-about-trans#trans-people-britain>

## Skills and resourcing

CAEs and the audit committee should ensure that internal audit has access to the skills and experience necessary to provide adequate assurance across their organisation's risk management, governance and internal control processes.

When the audit committee approves the internal audit programme of work, it should ask three questions:

1. Does the function have the capacity to do the amount of work required?
2. Does it have the capability – i.e. skills and knowledge – to do the work well?
3. Does the audit team possess suitable qualifications (e.g. CIA, CMIIA or accountancy qualifications)?

Under-resourced functions are likely to find it difficult to conduct the essential work required to offer robust, independent assurance, which is why appropriate investment in recruitment, training and co-sourcing is crucial.



## Headcounts and skills gaps

Upon reviewing the survey results, we were pleased to discover that more than half (52%) of CAEs reported full headcounts within their internal audit function, meaning they had zero FTE vacancies.

However, it is concerning that 6% have five or more open roles, particularly as unfilled positions represent more than a fifth of the entire audit team for 15% of respondents. Whether this is due to talent shortages within the market, inadequate budgets or other factors is unclear, but CAEs should keep audit committees regularly updated on the resources they need to perform internal audit's role effectively.

**"Recruitment is incredibly difficult at the moment and salaries have increased significantly over the past couple of years."**

– Survey respondent

More than a fifth of internal audit departments have between one and five open vacancies for technology audit staff, while a small minority (1%) have more than six.

Anecdotally, we are hearing from Chartered IIA members that good IT auditors are increasingly difficult to find. According to Barclay Simpson, this trend is also apparent across their client base, with demand far outstripping supply for high-quality candidates.

**"In my company, we do not have a dedicated IT internal audit team. This is an area that I am concerned about."**

– Survey respondent

Meanwhile, we were happy to see that 70% of CAEs now require potential candidates to hold professional auditing qualifications.





## Co-sourcing

In today's complex landscape of new and emerging risks, co-sourcing with external third parties can help organisations quickly access technical subject matter expertise and other key capabilities to supplement permanent staff.

Currently, the most commonly sought skills from co-source partners are technology audit delivery (27%) and cyber security expertise (27%). Just one in ten organisations are using co-source for ESG skillsets, a number we thought would be higher given that our latest Risk in Focus report<sup>7</sup> showed 31% of CAEs now consider climate change and environmental sustainability a top five threat.

**“All internal auditors need to be technology literate, as digital and social media are integral to most topics now reviewed.”**

– Survey respondent

We were also slightly surprised to see that only 10% of audit departments co-source their data analytics requirements. Our view is that analytics has been an essential skillset for internal audit departments for some time now<sup>8</sup>, so we had perhaps expected the number of audit teams receiving additional support in this area to be higher.

For most (40%) organisations, co-source expenditure represents between 1-10% of the annual audit budget, although 7% of departments spend more than half of their budget on these services.

Overall, seven in ten respondents confirmed their co-source spending allocation has remained approximately the same as last year. However, 12% said they had decreased their budget – of which roughly half had done so by more than 5% – which is an area worthy of further exploration.



<sup>7</sup> <https://www.iaa.org.uk/policy-and-research/research-reports/risk-in-focus/>

<sup>8</sup> In 2021, we created the Data Analytics Working Group to enable members to share experiences and help each other grow their in-house analytics capabilities. The group now has members from well over 200 internal audit functions.

# Looking ahead



Thank you for reading our inaugural benchmarking report. We hope it has provided insight into the state of the internal audit profession today, as well as valuable data to enable audit leaders to see how their function compares to their peers.

Many survey respondents provided useful feedback on what topics and metrics they would like to see included in future benchmarking reports. We are grateful for their input and will carefully consider these comments in preparation for next year's edition.

Later this year, the Chartered IIA will also be releasing the results of a half-yearly survey that will explore key areas of interest for Institute members, such as skills, training and qualifications. We encourage all members to participate in this and our other surveys to ensure the results paint the most accurate picture of the needs of internal audit teams in the UK and Ireland.



## About the Chartered Institute of Internal Auditors

The Chartered Institute of Internal Auditors is the only professional body dedicated exclusively to training, supporting and representing internal auditors in the UK and Ireland.

We have 10,000 members in all sectors of the economy. First established in 1948, we obtained our Royal Charter in 2010. Over 2,000 members are Chartered Internal Auditors and have earned the designation CMIIA.

About 1,000 of our members hold the position of head of internal audit and the majority of FTSE 100 companies are represented among our membership.

Members are part of a global network of 200,000 members in 170 countries, all working to the same International Standards and Code of Ethics.



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**www.iaa.org.uk**

**Tel:** 020 7498 0101

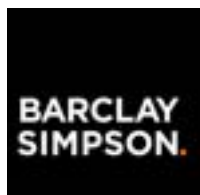
**Email:** info@iaa.org.uk

## About Barclay Simpson

Barclay Simpson has provided recruitment and related career services to internal auditors and IT auditors since 1989.

Our specialisation has allowed us to develop a deep understanding and extensive network of contacts across the profession. We provide an informed and effective service to internal audit departments who wish to hire, and a “whole market” perspective for internal auditors seeking to make a career move based on real choice and insight, whether on an interim or permanent basis.

We have specialist consultants working in banking, asset management, insurance, commerce and industry, professional consultancy and the not-for-profit sectors. We tailor our recruitment approach to the needs of our clients, working on either a retained or contingent basis.



**Barclay Simpson**

3rd Floor, 20 Farringdon Street,  
London, EC4A 4AB

**Email:** rb@barclaysimpson.com

**Tel:** +44 (0) 207 936 2601

**Tel:** +44 (0) 207 936 8911

