

Internal Audit Market Report 2019: The war for top talent intensifies



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FOREWORD

Welcome to our 2019 Market Report. We've been producing market reports for 30 years, over which time the internal audit landscape has changed significantly.

Speaking to Chief Auditors, there is a sense the profession is now more aware and proactive in trying to satisfy stakeholders, in much the same way that businesses overall are better attuned to customer needs and experiences. Audit departments have become more forward-looking and collaborative, offering expertise and advice to ensure risk and control is integral to process design rather than an afterthought. Mainstream adoption of innovative technologies and frameworks, such as data analytics (DA), artificial intelligence (AI) and Agile auditing, is also on the rise.

The internal audit market proved busier in 2018 than 2017, both in volume and level of seniority. Chief Auditors and hiring managers are also more discerning than ever before in their search for top talent. They want auditors with strong technical capabilities and the interpersonal skills to concisely articulate complex issues to non-technical senior stakeholders. Technology and cyber skills are particularly in demand, with the line between IT audit and business audit growing increasingly blurry. Indeed, Chief Auditors are now being promoted from IT audit backgrounds in major organisations for the first time.

No report would be complete without mentioning Brexit. At the time of writing, we're entering a period of extreme uncertainty, but the internal audit market has proven remarkably resilient so far. Vacancy flow has held up, although candidate availability has dwindled. There has also been some relocation of positions to mainland Europe that would otherwise have been hired in the UK, but this remains fairly limited at the moment.

In an uncertain world, internal audit is seen as a safe haven and continues to attract very talented professionals. As expectations continue to grow among Chief Auditors, experienced recruiters who can form a partnership with both candidates and clients have carved a crucial niche in a world dominated by LinkedIn and social media.

We hope you find this report informative and insightful. To keep up to date on developments, I would encourage you to read our LinkedIn posts and our market research publications, which can be **downloaded here:**

<https://www.barclaysimpson.com/market-report-2019>



David Hornsby
Director - Internal Audit
at Barclay Simpson

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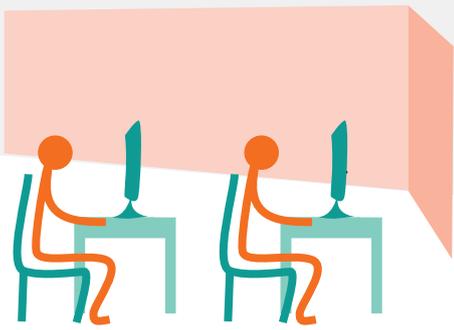
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01

At a Glance



76% of employers recruited
or attempted to recruit in 2018



Permanent
vacancies rose
10%
last year



70%
of organisations expect to hire
in 2019

73%
of auditors
still men



3 times
as many employees
feel less secure due to Brexit

02

Executive Summary



Hiring active amid regulatory pressures

Regulatory demands continue to pressure audit functions, and hiring remains a priority for many firms, particularly with the implementation of MiFID II, GDPR and other key pieces of legislation in 2018. As a result, more than three-quarters of employers looked to recruit last year, and 70% expect to hire in 2019.

Brexit burden continues

Some 43% of auditors now feel less secure in their jobs because of Brexit, which is a huge increase from the 14% who said the same in 2017. An exodus of talent from the UK may have already begun; non-British employees comprised 27% of audit departments last year, down from 37.5%.

Salary dissatisfaction rising

The proportion of candidates who cited salary dissatisfaction as a reason for changing jobs edged forward from 15% to 18% between 2017 and 2018. Salary improvements for the industry's best auditors have increased wage expectations across the board. Professionals who switched roles received a salary bump of 13% on average last year.

Wide support for DA and AI

Candidates and employers feel DA and AI are having a positive impact on auditing functions. Of the clients already using data-driven audits, 88% confirmed they led to improved findings. These technologies also make auditing more efficient, according to 81% of professionals.

Auditors unconvinced of Agile methodologies

Nearly half (47%) of departments use or intend to use Agile auditing, but reception has been mixed. Employers are reporting cost reductions and auditing efficiencies, while some candidates are unhappy with the effect Agile is having on their working environment.

Minimal change to gender balance

The gender split across internal audit remained largely unchanged in 2018, with 73% and 24% of respondents identifying as male and female, respectively. There has nonetheless been a marked rise in employers asking for more female candidates on shortlists, indicating the balance may shift over the coming years.

IT and cyber skills shortages deepen

A fierce war for high-calibre candidates means a significant proportion of employers (44%) cited technical skills shortages as their main recruitment hurdle last year. IT auditors with cyber security expertise are particularly in demand, with employers refusing to place an upper limit on salaries for top talent.

Subject matter experts thrive in interim market

Large-scale regulatory change projects have helped interim staff enjoy a steady stream of work throughout 2017 and 2018. More than half (54%) of employers used contractors, with 36% of these relying on subject matter experts to help support permanent headcounts.



03

Internal Audit market trends

Various economic, political and regulatory headwinds continue to buffet the internal audit recruitment market. Here, we examine the factors that had the biggest impact on hiring last year, as well as predict key trends for 2019.





Economic and regulatory drivers

Is UK economy recovering from shaky 2017?

Uncertainty was perhaps the main theme running through **our last market reports**. In 2017 and 2018, businesses faced massive upheavals as they prepared for GDPR, MiFID II, PSD II and other key regulatory changes.

The economy also grew at its weakest rate in five years during the first six months of 2017.¹ By the end of that year, the country's long-running streak of falling unemployment had faltered, real wage growth had stagnated and lingering doubts remained over Brexit.²

Uncertainty is still a problem over one year on, particularly regarding Brexit, but there are signs 2018 was a time of transition and organisations can expect the next 12 months to provide answers to some elusive regulatory questions.

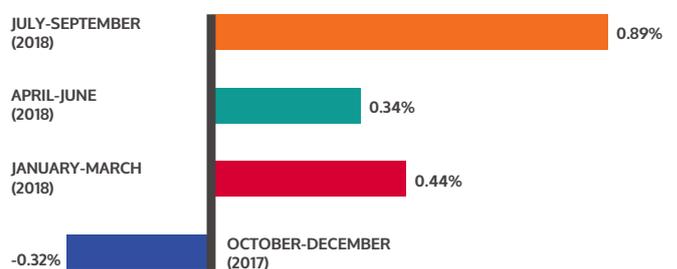
Pay growth revival

Unemployment stood at just 4% in the three months to August 2018, which was the lowest rate in 40 years.³ This figure had crept up to 4.1% by the September quarter⁴,

but still remained significantly below the 8.1% peak seen in 2011.⁵ A subsequent skills shortage helped pay growth hit 3.2% at the time of writing. This was the biggest increase since the country plunged into recession in 2008.⁶

Real wage growth, which takes inflation into account, also steadily increased. Between April and June last year, regular pay edged forward just 0.34% in real terms.⁷ However, this had climbed to 0.9% for the three months leading to September, as inflation stabilised at 2.4% for October.⁸ Sluggish productivity remains a problem for businesses, but the results nevertheless suggest salary growth showed a strong upward trajectory throughout 2018.

Quarterly UK pay growth (real)



GDPR and MiFID II

Significant resources went into preparing for these two comprehensive pieces of legislation. They were by no means the only regulatory changes that occurred in 2018, yet the sizeable fines attached to non-compliance guaranteed they were the primary focus for most governance teams.

Compliance departments may have breathed a sigh of relief when the implementation deadlines passed, but the job is just beginning for many internal auditors. A TrustArc survey showed 26% of organisations didn't expect to be compliant with GDPR by the end of 2018, while 7% won't even be ready when this year comes to a close.⁹

Meanwhile, media reports suggest the FCA is becoming impatient with companies that remain non-compliant with MiFID II.¹⁰ Internal audit now has the task of providing assurance to businesses that their risk and compliance efforts for GDPR and MiFID II are fit for purpose.

Conduct and culture

Workplace culture has been under the spotlight in banking and other financial services firms since the global financial crisis. However, high-profile collapses at firms such as BHS and Carillion, as well workplace sexual misconduct scandals worldwide, have placed greater emphasis on eradicating toxic environments across all sectors.

A growing proportion of internal auditors must now evaluate the conduct and culture within their organisation. Indeed, 42% of respondents to a Chartered Institute of Internal Auditors survey cited 'HR and people' as a top-five risk they face, while 6% said culture was the most important issue they must address.¹¹ We expect audit plans to increasingly focus on conduct and culture in 2019.





Brexit burden weighing on auditors

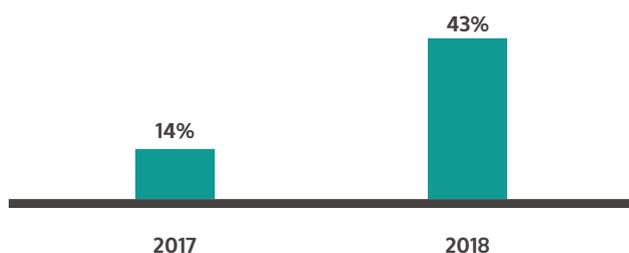
Predicting the future is always difficult, but even the best analysts have found it impossible to forecast what will happen next with Brexit negotiations. The tension surrounding the UK's exit from the EU was palpable in our previous market reports and not much has improved since then.

Given the constantly evolving Brexit situation, we won't delve too deeply into the current status of negotiations. However, the lingering impact on internal audit is undeniable.

Fewer people willing to move

The proportion of internal auditors who are willing to move from the UK to the EU if Brexit significantly hampers their career dropped from 53% in 2017 to 46% last year. This is despite 43% acknowledging that Brexit made their job feel less secure.

% of auditors who feel less secure due to Brexit



Germany? No thanks, say (most) auditors

Nearly one-quarter (24%) of clients have opened or are planning on opening new offices in other locations

due to Brexit. Of these, 43% chose Frankfurt, but this appears to have put them at odds with the majority of candidates.

Frankfurt was the second least-favoured destination among internal auditors, with 61% not willing to consider the German city. Only Madrid was less popular. Dublin and Amsterdam were more attractive options, which is hardly surprising given Ireland is an English-speaking country and the Netherlands is second only to Sweden globally for English language skills¹²

Candidates may need to be flexible on locations and potentially expect more travel as their audit universes grow to include offices in mainland Europe. Many financial organisations are looking at bolstering or creating offices in Dublin, Paris, Amsterdam and Frankfurt.

Some candidates think they can mitigate risks in the short term by finding a job with a UK-centric company. However, these firms could be hit hardest by a no-deal Brexit if their revenue streams are tied only to the UK market.

Irma Boulderstone
SENIOR CONSULTANT



Disruptive forces affecting internal audit

DA and AI deliver significant benefits

Both employers and candidates exhibited widespread support for DA and AI. Nearly 9 in 10 (88%) organisations that use data-driven audits said they led to improved findings and 81% of candidates claimed these technologies make auditing more efficient.

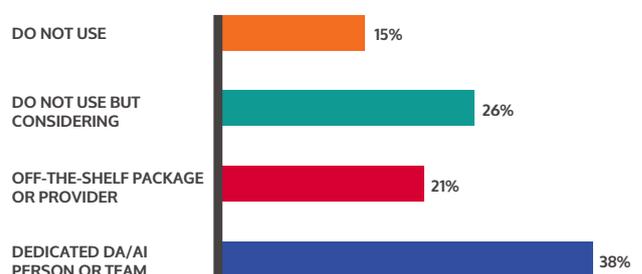
The survey results also revealed tangible benefits for businesses leveraging DA and AI; 57% enjoyed increased output, while a further 14% reported both better output and cost savings. Our research supports other findings that show DA-driven audit departments outperform less tech-savvy rivals. PwC found that three-quarters of 'Evolvers' (audit departments with advanced technology adoption) contributed significant value to their organisation, compared with just 34% of teams with little or no technology use.¹³

Nevertheless, we discovered adoption rates and maturity levels vary significantly between internal audit departments. Some 41% of businesses weren't currently using DA or AI, although 26% had them under consideration. Departments are largely in favour of introducing more technology but are potentially facing other adoption challenges.

For example, financial services is at the forefront of innovation in these areas, yet uptake is lagging for some firms even here. DA and AI require significant investment and lead-in times to produce tangible benefits, and some clients are already reporting systems issues. Integrating data feeds across multiple legacy systems is a considerable task, often leading to delays in performing audits.

We must wait and see whether or not increased use of DA and AI has an impact on demand for candidates. Increased technology adoption could lead to a slight drop in headcounts over the mid-to-long term, although we may just as easily see more coverage from the same number of auditors.

How do you use DA and AI tools?



Ultimately, DA and AI tools are not yet sufficiently advanced to materially impact internal audit recruitment. Professionals remain largely optimistic, however, with 42% believing these technologies will make their jobs more secure. Just 14% fear less job security.

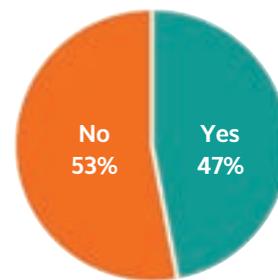
Agile auditing meets mixed reception

Expectations on internal auditors are rising. Just 44% of organisations felt the function provided significant value in 2017, compared with 54% the previous year.¹⁴ Agile auditing has therefore become increasingly popular among departments looking to improve efficiency, deliver more valuable insights and reduce documentation, **among other benefits.**

For the first time, we asked employers whether or not they used Agile methodologies and nearly half (47%) confirmed they already do or intend to in the future. Adoption was far higher in banking and asset management than across insurance, commerce and the public sector. Banks have always been at the forefront of audit development, as they typically have more resources dedicated to this purpose. Large professional practice departments that examine training, development and methodology are common among the top banks.

Audit innovation tends to flow from banking into asset and wealth management due to high levels of interchange between the sectors. Banking auditors are often attracted to asset and wealth management because of this crossover, as well as the chance to add value and enjoy what is often perceived as a more flexible working culture.

Do you use or intend to use Agile auditing?



We've received mixed feedback on Agile auditing. Some organisations have fully implemented these methodologies and are reporting cost and efficiency benefits, but we've also heard about the drawbacks.

Candidates have registered with us as a direct result of not liking the changes Agile is having on their work and working environment. One major impact is teams becoming flatter, less hierarchical and more delivery focused, which can make career progression and differentiation between job grades less definite.

David Hornsby
DIRECTOR





Diversity and inclusion

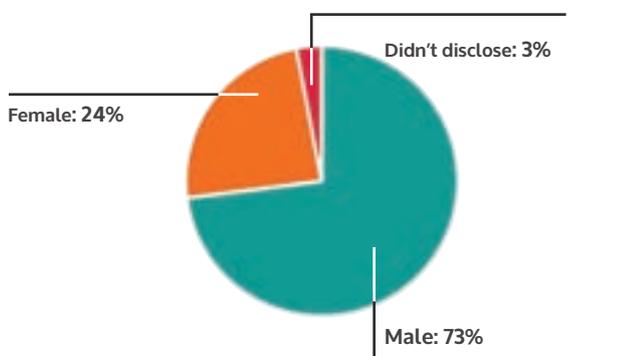
Diversity is a hot topic, and rightly so, with businesses worldwide keen to be more inclusive during their recruitment processes. Countless studies have emphasised the benefits of diverse workforces, which include:

- Enhanced profitability;¹⁵
- Improved decision-making;¹⁶
- Better innovation¹⁷; and
- Improved customer experiences.¹⁸

Financial services still has room for improvement when it comes to diversity; for example, the average gap between men and women is 22% for basic salaries and 46% for bonuses.¹⁹ This can be compared to the UK average, where men's full-time salaries are, on average, 8.6% higher than women's.²⁰ The world is split equally between the sexes, yet 85% of financial services executives are men.²¹ As a result, gender has been the primary focus for diversity in recent years, with initiatives such as the Women in Finance Charter gaining significant support from the industry's biggest names.

Our research shows the gender balance across internal audit was 73:24 in favour of men last year (3% chose not to disclose). This was roughly the same outcome as 2017, suggesting little progress has been made across the function in recent years to level the playing field. A similar pattern was seen outside financial services; the split between male and female auditors was 70:30 in the public sector and 76:24 for commerce and industry.

Gender split in audit departments



Did employers focus less on diversity?

Our results showed a decrease in diversity-led recruitment among internal audit departments. In 2017, one-fifth of employers had diversity and inclusion targets guiding their recruitment decisions. Last year, the figure dropped to 14%, indicating fewer organisations took these factors into account.

The unfortunate truth of the internal audit recruitment market is that securing top talent is hard enough. LinkedIn research revealed finding enough applicants to interview is the main hurdle for diversity-focused employers.²² Our results seemed to echo these frustrations, with 42% of hiring managers reporting that recruitment efforts prioritising diversity were unsuccessful.

The results were a shock, given our own experiences in 2018. We noticed a significant rise in requests for women on candidate shortlists, and some clients refused to proceed with interviews until at least one female applicant had been approved to reach this stage. A few companies set diversity targets for candidate submissions at a 50:50 male-to-female ratio for all roles.

When choosing recruitment partners, companies are also increasingly interested in what diversity initiatives potential suppliers have in place. Some larger organisations now require that partners hold certain accreditations in order to promote diversity.

Russell Bunker
DIRECTOR

04

Recruitment, salary and compensation trends

We've discussed the major factors influencing the market, but what impact are they having? This section examines key client and candidate insights from our surveys.



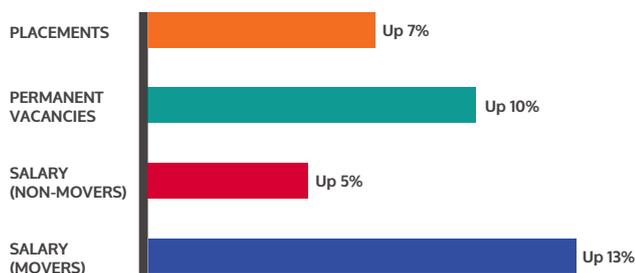


How active is the internal audit recruitment market?

Just under one-quarter (24%) of candidates changed jobs last year, which was broadly the same as the 25% who moved in 2017.

Switching organisations didn't bring as many remuneration benefits as in previous years. The average salary boost dropped from 17% to 13% between 2017 and 2018.

A snapshot of internal audit in 2018



However, the market was busier than the survey results would suggest, according to our internal figures.

We saw:

- A 10% jump in permanent vacancies;
- A 7% rise in placements; and
- An increase in the average salary and seniority of roles.

What factors are affecting the market?

Recruitment continued to be regulatory driven in banking last year, with functions looking to fill skills gaps and tackle emerging risks as part of their audit plans. For IT auditors, information and cyber security were the hot topics and this is seen as the number one technology risk by many companies.

There was a significant reduction in year-on-year candidate registrations in 2018, exacerbating the skills shortage that already existed in the market. This can largely be traced back to EU citizens being hesitant to move jobs. Many candidates refuse to relocate to the UK and some are beginning to move back to mainland Europe.

The market, however, was not as depressed as many had predicted and the UK economy performed reasonably well overall. Fewer candidates found it difficult to secure a new role in 2018, with 59% confirming it was easier than expected, which was up from 53% the previous year.

More generally, employers now recognise the importance of fast and efficient hiring processes as competition for top talent heats up. Candidates are also making greater use of technology, such as smartphones and tablets, to facilitate their job search while on the move. LinkedIn was overwhelmingly the most popular place to look for vacancies among the various job boards.



What drivers are affecting candidate choices?

Career development crucial, but salaries are an issue

Traditionally, career development has been the main driver that encourages candidates to search for new jobs and 2018 was no exception. Last year, 50% of employees who changed organisations cited career development as the primary motive, rising from 46% in 2017. Salary is also becoming more important, with 18% of candidates moving due to dissatisfaction with pay in 2018, compared to 15% the previous year.

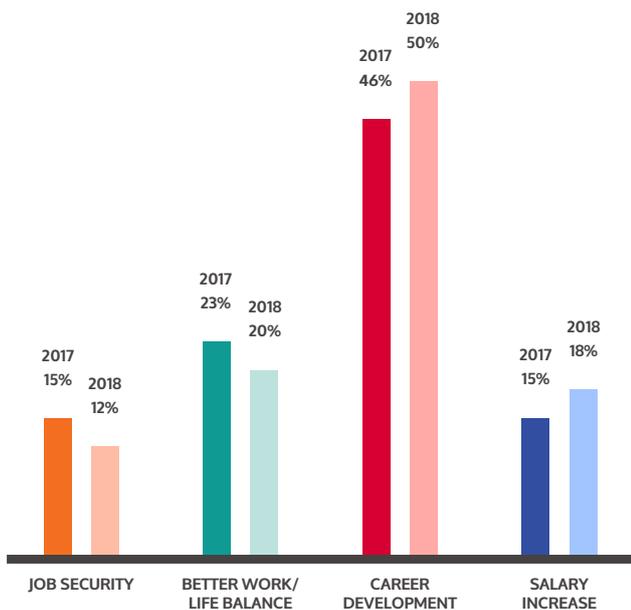
Auditors are expecting higher salaries due to general inflation rises and significant remuneration uplifts for the best candidates. These increases are either secured through moving roles or because existing employers want to reduce employees' motivations to explore the external market. Newly qualified applicants seeking financial services positions in London have secured offers of up to £65,000 per annum, while experienced Big 4 talent earning mid-£50s have moved for more than £80,000.

These uplifts are due to simple supply and demand; very few candidates demonstrate both good technical and interpersonal skills. Employers realise they have to offer large salary increases to stay competitive. Overall, the proportion of internal auditors who felt they were adequately compensated for the work they do rose from 51% in 2017 to 54% last year. This indicates those who moved may have had an inflationary effect on salaries within the profession as a whole, increasing overall satisfaction.

Desire for job security and flexibility drops

Nearly 4 in 10 (38.5%) internal auditors who moved jobs in 2017 did so due to wanting better job security or a healthier work-life balance. This figure dropped to less than one-third (32%) last year.

Why did you look for another job in 2018?



Ultimately, the recruitment market still has a fair amount of confidence. People generally perceived their jobs to be safe throughout 2018, so job security decreased as a motivator (from 15% to 12%). For non-movers, job security is even less of a concern. Just 5% of auditors who remained with their current employer last year said this would be the main reason for them to begin looking for another job.

Employers battle over skills

Certain sectors are beginning to see salary demands increase, as the remuneration packages available in financial services exert pressure elsewhere in the internal audit market. Many candidates across the public sector, commerce and not-for-profits feel undervalued, particularly when financial services firms are now more

willing to look beyond sector experience in order to secure highly sought-after stakeholder skills.

Public sector and mid-tier consultancies struggle to pay market rates, but some commercial FTSE businesses and the Big 4 are trying to stretch their bandings to compete with financial services.

Technology audit candidates are also expecting high salary uplifts to move, which is causing some stagnation in the market. With the prospect of a hard Brexit still on the cards at the time of writing, candidates want to ensure the risk of moving to a new company is offset by financial rewards, especially with the possibility of 'last in, first out' policies.

Employers need more pull factors than push factors in order to attract candidates, which inevitably means a greater focus on higher salaries and better career development. Interestingly, work-life balance seems less important for movers, down from 23% to 20%. Significant strides have been made in relation to work-life balance in prior years, with many employers now offering flexible working. Nevertheless, the fact remains that one-fifth of candidates leave their current employer to achieve a better work-life balance.

Steven Driver

SENIOR CONSULTANT





What recruitment challenges did employers face?

More than three-quarters (76%) of departments recruited or attempted to recruit internal auditors externally in 2018. However, 58% said hiring was more difficult than they expected.

Here are some of the reasons why:

Skills shortage

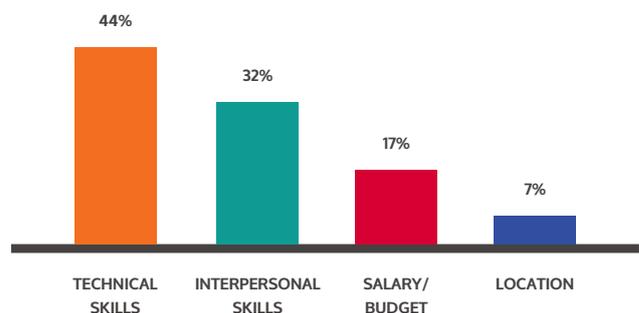
The war for talent is fairly fierce across most sectors, and sourcing candidates with the right technical skills was the biggest challenge for 44% of clients last year. This figure increased from 39% in 2017, highlighting how prevalent technical skills shortages are becoming.

Nearly one-third (32%) of employers said finding candidates with the right interpersonal skills was their main recruitment dilemma, which is up from 29%. Employers increasingly require someone who can communicate well with the business and take a pragmatic, rather than prescriptive, interpretation of regulations. The ability to

convey complex information in a non-technical, friendly way is also key.

Interestingly, finding auditors in the right location has become less of a hurdle, despite candidate availability being on the decline overall. Just 7% of employers highlighted geographic obstacles as problematic last year, compared with 14% in 2017. Many businesses have mitigated location issues through remote working and promoting flexible working, so the ordeal of peak travel can be avoided.

What is your greatest recruitment challenge?



A lack of cyber security talent

Skills shortages are a problem across the board, but talented auditors with cyber security experience are in such demand they deserve special mention. Deloitte has ranked cyber security as the number one hot topic among IT auditors since 2015.²³

Research shows cyber security is the primary issue for IT auditors in all areas of financial services, meaning there is cross-sector demand for these skills. Deloitte's findings mirror our own experience, with cyber security a major concern for all audit committees in 2018. As the availability of these skills becomes increasingly scarce, some employers have stopped placing upper limits on salaries for cyber-focused IT auditors.

Russell Bunker
DIRECTOR

The introduction of GDPR last year is only likely to see demand rise further in the future, especially if large fines are handed down for high-profile breaches in 2019. GDPR non-compliance comes with a maximum penalty of €20 million or 4% of revenue, whichever is higher.

Brexit exodus of auditors begins

Heading into 2018, MiFID II, GDPR and PSD II were generally considered the biggest drivers of the internal audit recruitment market. By the end of the year, Brexit had become the front-running market concern.

Our results show the number of non-British employees in audit departments has already dropped from 37.5% in 2017 to 27% last year. Fewer Europeans are applying for new roles, which is having a significant impact on recruitment, as they formed a sizeable proportion of the candidate pool before Brexit.

Attractive remuneration packages were a key incentive for European professionals to move to London, but the pound's value has dropped since the EU Referendum. The financial allure of the City has therefore plummeted for many Europeans, particularly as uncertainty continues to plague the nation.



Interim staff help plug gaps in expertise

Audit contractors enjoyed a busy year in 2018. Many organisations turned to interim staff to help with MiFID II, GDPR and PSD II, resulting in more contractors in work last year compared with 2017 (83% versus 77%).

New regulations absorbed contractor resource both directly and indirectly, as some permanent in-house auditors were pulled across to work on projects while interim staff temporarily backfilled their roles. A number of permanent employees have also opted to move into contracting, citing flexibility in working patterns and better pay as the key attractions.

Ongoing issues surrounding Brexit continue to create demand for contractors, with many firms using interim resource to fill gaps where clients are having difficulty finding permanent employees.

Another key factor in the contractor market was the introduction of off-payroll regulations (IR35) within the

public sector in April 2018. They aim to combat suspected tax avoidance by those operating as consultants via their own limited company, pushing many of the better consultants from the public to the private sector.

A combination of IR35 and more permanent candidates moving into contracting has increased competition for contracts. These findings are backed up by our survey, where 67% of respondents said securing a new contract was more difficult than they expected, rising from 60% last year. This also helps to explain why the proportion of contractors who landed new contracts within three months dropped from 88% in 2017 to 79% last year.

Contractor rates rose slightly in 2018 but slowed in comparison to the previous year. This is likely partially driven by regulatory deadlines in early 2018 having an effect on rates towards the end of 2017. However, candidates will be encouraged to hear that fewer contractors have seen their rates decrease.





Subject matter experts (SMEs) were the primary focus for employers who sought interim resource in 2018. Many in-house functions recognised they could secure high-quality contractors to execute essential reviews without the expense and difficulties associated with internal secondments.

SMEs were particularly in demand across investment banking, asset management and insurance. We've also seen a rise in the use of co-source providers utilising SMEs on particularly niche assignments.

Andrew Whyte
ASSOCIATE DIRECTOR

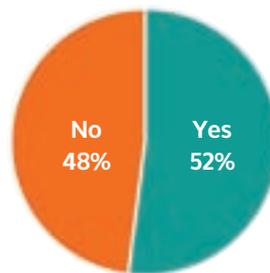
Looking ahead to 2019

More internal audit departments felt adequately re-sourced last year than in 2017. However, 48% still believe they're not sufficiently prepared for the workloads they face and nearly 30% aren't happy with their recruitment model.

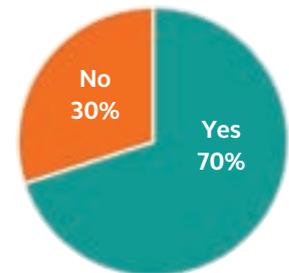
What does this mean for 2019?

A snapshot of internal audit for 2019

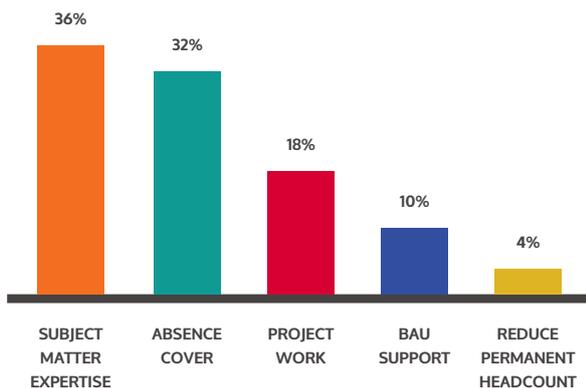
Are you adequately resourced?



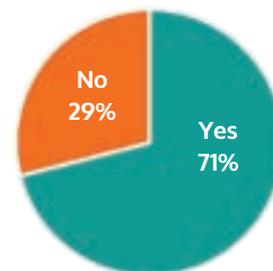
Will you need to recruit?



What is your main reason for hiring contractors?



Are you satisfied with your recruitment model?





Hiring will remain healthy

Seven out of 10 employers expect to hire in 2019, which exactly matches hiring intentions from last year. The results emphasise the buoyancy of the market, and we feel confident the next 12 months will be busy. It's also worth noting that more businesses ended up hiring in 2018 than originally had intended (76% versus 70%), so candidates may be hoping this trend repeats itself.

Overall, auditors found looking for roles easier in 2018 because there were more vacancies. This created recruitment challenges for employers, many of whom raised bonuses as a way of attracting and retaining the best talent.

More hours on audit plans

Nearly 40% of organisations are increasing the number of hours on audit plans next year, while just 7% are setting aside less time. The simple answer for this trend is businesses are placing more reliance on their audit departments to provide assurance and consultancy advice. Many firms will want to see how well they complied with GDPR, MiFID II and other regulations.

We also believe plans will contain more hours because businesses are increasingly moving towards data-driven auditing capabilities. Collecting the appropriate information and ensuring the data is in the right format remains a challenge for departments, particularly those that have only recently adopted DA processes. Investment of time now is likely to pay greater dividends in efficiency gains for the future.

Audit environments continue to evolve

Internal audit is changing, and candidates must also adapt to remain competitive for the best roles. Vacancies increased in 2018 and we expect similar patterns to emerge this year, but employers' expectations are higher than ever before.

Non-dynamic, non-personable and largely compliance-focused auditors will find securing a better role challenging, despite numerous opportunities within the market. Professionals may therefore wish to proactively upskill to make themselves more marketable. Industry qualifications, such as the CFA programme for auditors working in asset management, could help candidates edge ahead of rivals.

Q&A with Chris Miller

Group Audit Director, at Royal London



We regularly sit down with significant figures from the internal audit industry to get their perspective on key market trends. This year, we spoke to Chris Miller from Royal London. We'd like to thank Chris for his contribution and welcome our readers' thoughts on what he had to say.



Tell us about your background

I studied Computing Science at the University of Glasgow. After graduating, I was attracted to gaining broader commercial experience rather than go directly into the IT profession. The opportunity came to join Deloitte and train as a Chartered Accountant while working in technology assurance. I spent eight years at Deloitte, which gave me the opportunity to work in many rewarding and challenging audit and risk projects.

In 2015, I decided a change from professional practice would be refreshing and joined Royal London as Divisional Head of Audit. I've since been appointed as the Group Audit Director, taking on broader accountability for the group-wide internal audit function.

You were recently named in ICAS's Top 100 Young CAs. What were the secrets to your success?

A lot of support! Whether that's from peers, line managers or in more recent years from executive directors and board directors. I'm frequently reminded how much support I have around me for those moments when I need it, which comes from living a set of values consistently to build trusted relationships. I like to work hard, know when I need support and be a straightforward person to deal with.

What was your biggest challenge in 2018?

It's difficult to single out one specific challenge, but there are two key highlights:

1. The personal challenge of going through a leadership transition when I was promoted to Group Audit Director. I felt high expectations to make my own mark, while also keeping the function running to the high standards set by my predecessor.
2. Leading through a period of major change in internal audit, which involved a substantial recruitment campaign. I took on a mandate to build out and scale up a new third-line team, develop a new functional strategy and implement a target-operating model during my first six months in the role. Thankfully, we were building from a strong platform.

What will be the greatest challenge for internal audit in 2019?

Demand for talent is high. Candidates want a compelling employment proposition that reflects their own aspirations and priorities. Offering structured development, challenge, and a broad range of experiences for many candidates is becoming a top priority.

What attracts you to a CV when you're looking to hire?

Candidate profiles that articulate real, but not boastful, achievements are really powerful. Hiring managers know what a real achievement looks like; they have a very good understanding of real-life challenges and opportunities. Embellished and over-inflated examples aren't as impressive as CVs that convey a sense of self-reflection and humility.

While technical expertise and experience is important, it's refreshing to see CVs that give a sense of what the person is all about and an idea that they might be compatible with the organisation's culture.

The personal touch of a covering letter is really helpful, if it's written sincerely and expresses an understanding of the role or organisation. Finally, demonstrating a

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commitment to continuous learning is especially valued in audit, where we continually seek to refresh our skills and keep our knowledge up to date.

Royal London has been named one of Glassdoor's best places to work. What top three factors are key to maintaining happy teams?

1. **Organisational culture:** We have a clear strategy and values that put customer outcomes at the centre of our business activities. For audit, the culture and tone at the top is really important. It creates an environment where we're respected, can be effective and have a mandate.
2. **Transparency:** We have honest debate and an inclusive culture that welcomes the views of everyone. A happy team is a collective responsibility though; it can't be done top down. Individuals need to come together and work through challenges.
3. **Striking the right balance:** We strive to foster a high-performance culture that respects personal life balances. Recently, our team has been focused

on wellness and mental health. We care in equal measure about the business results our people deliver and the behaviours and actions that get them there.

What is your greatest recruitment challenge?

Waiting to find the ideal candidate when there's many perfectly good candidates on the shortlist for a particular role quite quickly is difficult. But taking the extra time to look more broadly across the market and consider people with varied profiles often pays dividends. There's a real sweet spot that blends technical and personal skills with experience and the right cultural fit.

We look for a broader leadership quality for senior manager-level positions. Having a real sense that a candidate is a self-starter and enjoys the challenge of trying to see clearly through ambiguous requirements is encouraging.

What more can audit departments do to encourage greater diversity and inclusion?

That's a question quite close to my heart! This is an area where internal audit has an opportunity to play a group-wide role. Audit can encourage diversity by aligning the departmental people strategy to the organisation's diversity and inclusion (D&I) strategy. If the organisation isn't pursuing a D&I agenda, then audit has a mandate to challenge that.

Audit is often cited as a talent pipeline for our organisations. We can play a key role in both talent acquisition and internal D&I initiatives. The nature of audit's work means we build a breadth of strong relationships and often have high visibility across the organisation. This is a real asset in organisation-wide D&I initiatives and networks. We should encourage colleagues to play an active role in this space as it's a real win for both the function and the business.

I'm very active in our Women's Network. I've been inspired by the enthusiasm and commitment of our people involved in the network. I'm really proud to work at a company that is committed to diversity in the workplace. In our audit function, we have a 60:40 female-to-male ratio and 25% of our people work part-time.

What impact do you think disruptive technologies will have on audit departments?

My hope is that audit embraces the opportunity to innovate.

I believe there is a vast amount of untapped value in adopting and mastering proper foundations in audit. Our business has invested heavily in contemporary customer platforms and services, new technologies, and system tools in recent years.

This presents our audit function with a rich opportunity to leverage enhanced reporting capabilities and data quality. Our focus is on doing the basics brilliantly, like self-service data extraction from business systems, visualisation, automating reporting processes and integrating planning processes into the enterprise risk system.

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As a consequence, we're continuously improving in two important areas: increasing our assurance coverage and efficiency, and enriching our risk assessment and audit planning processes with continuous monitoring.

What are your thoughts on Agile auditing?

Undoubtedly, there is much for internal audit to learn as organisations become increasingly Agile. Agile ways of working can lead to benefits in how audit functions are organised and how they deliver assurance. We've seen real benefits in productivity and engagement by replacing traditional management structures in our function with shorter, more frequent interactions that provide alignment rather than direction.

We've adopted some Agile principles by organising the function into 'squads', we have the equivalent of 'stand-ups', 'sprints' and 'scrums' and our delivery model is evolving, so we provide more timely and efficient assurance.

Most importantly, we look at our operating and delivery model objectively. We're not precious about terminology; we take selected Agile principles and other examples of best practice, adapt them to our audit function and adopt them if they work.

06

Internal audit recruitment: A sector analysis

Every industry had unique challenges and opportunities for internal audit professionals in 2018. This analysis drills down into the data to draw out key insights for each sector.





Banking



IRMA BOULDERSTONE
Senior Consultant

The internal audit recruitment market remained resilient throughout 2018, despite Brexit headwinds. Regulatory changes, technology innovation and certain skills shortages have helped drive recruitment activity, with many candidates expecting at least a 10-20% salary increase to move. We have seen more activity at the Audit Manager and Senior Audit Manager (VP) level than for Heads of Audit, and the key drivers of growth have been the need to upskill departments and acquire regulatory expertise.

Banks are also willing to go above budget for junior candidates at the AVP level who have prior investment banking experience, as these auditors typically have more offers on the table. Specialist skills, such as market and model risk auditing, are highly prized at the senior end of VP and SVP roles. Organisations have also sought methodology and QA auditors to assist with mergers, transformation projects and efficiency programmes.

More broadly, nearly all our banking clients highlighted diversity and inclusion as an important objective last year. We expect this to be a key focus again in 2019, with our survey results showing 85% of internal auditors in banking are male.

Asset and Wealth Management



DAVID HORNSBY
Director

The buy-side was active in 2018. Going into 2019 some major asset managers have announced headcount reductions across their businesses. We are potentially entering choppy waters but at the time of printing there are no immediate signs that internal audit will be materially affected. Heads of Audit seem confident there will be replacement recruitment and in some cases they will add headcount. We have for example seen an increase in demand for front-office focused asset management and generalist wealth management auditors.

In London, we saw some mainly US private equity firms and hedge funds reach critical mass and set up a local audit capability, often hiring a standalone Regional Head of Audit or Audit Manager.

Restructuring and consolidation within the asset management sector has created movement and change, but this was only modestly higher than in previous years. That said, over one-third of internal auditors said they changed employers, compared with 24% of candidates across all sectors.

Key areas of focus for 2019 audit plans include:

- **The impact of Brexit planning:** Preparation for the possibility of no longer being able to service EU clients from the UK.

- **Cyber and data security:** Coupled to adherence to GDPR.
- **Financial crime and anti-money laundering:** Client onboarding but also transaction monitoring throughout the relationship.
- **Culture and governance:** How firms behave and what is good for the client.
- **MiFID II:** Costs and charges reporting, including key information documents.
- **The Senior Managers and Certification Regime.**
- **Environmental, social and governance (ESG):** Responses to increasing regulatory interest in this area.
- **Regulatory reporting (Finrep and Corep).**
- **Client and tax reporting.**
- **Suitability/Appropriateness**

Industry and commerce



STEVEN DRIVER
Senior Consultant

Large commercial organisations continue to recruit predominantly at the delivery-focused level, albeit cautiously amid market uncertainty. Many companies are still unsure how Brexit will affect the wider business and, more specifically, their internal audit functions. Some departments are not immediately replacing leavers until they know more about a final deal, choosing to utilise co-sourcing in the short term. We expect this trend to continue throughout the year.

EU-based candidates remain reluctant to consider the UK as an option, which is hindering global companies hoping to recruit staff who are fluent in a second European language. These auditors are instead favouring either Ireland or other Western European countries, forcing organisations to consider offshoring and/or remote-working opportunities in non-UK bases as a way to attract international skills.

Most sectors continue to require skilled auditors, but we've seen a notable increase in activity across technology and manufacturing firms against a slight reduction for retail and FMCG businesses. Larger companies are actively looking for specific skills, such as analytics, although they face stiff competition from a buoyant financial services sector.

Insurance



RUSSELL BUNKER
Director

Established insurance giants have traditionally been slow to embrace change, but the industry is currently undergoing a period of major disruption. Amazon, Airbnb and other tech businesses have set the standard for seamless customer interactions and experiences.

As a result, consumers are beginning to expect the same level of service from all providers, including insurers. The digital purchase process is now becoming easier through chatbots and other forms of automation. There is also a general movement of data to the cloud, with InsureTech





optimising back-end processes, such as claims and policy administration. Furthermore, DA and IA allow personalised products and offerings to be customised and offered online.

Change inevitably creates risk and control issues, which feed through into increased audit requirements. We expect to see more in-house audit functions form at insurers as they reach critical mass due to technology developments. Technology auditors, particularly those with cyber skills, will be a natural fit for many roles within these departments.

Other key risks that are likely to feature on 2019 audit plans for insurers include:

- Conduct and culture;
- Identity and access management;
- GDPR;
- Brexit; and
- API/Gap insurance.

Public sector



STEVEN DRIVER
Senior Consultant

Restrictive budgets across the sector have led to limited external recruitment, with many companies preferring to replace leavers at entry level and offer internal secondments to staff from other functions. The finance department is the most common source of secondees, and many organisations are seeking internal SMEs alongside a heavier reliance on co-sourced agreements.

Organisational restructures and new initiatives like the Government Internal Audit Agency have spurred some internal movement across the sector. An increased number of shared services are being created to utilise a more affordable skills network. Nevertheless, salaries and budgets continue to be the main challenges to attracting candidates at all grades, with 43% of public sector organisations citing this as their greatest recruitment hurdle.

The sector is still perceived to be the safe haven that offers a better work-life balance in comparison to the private sector, but good internal auditors are now being headhunted and enticed away. Many organisations are willing to look past industry-specific business experience, resulting in a continual struggle to retain skills in the sector.

IT audit



RUSSELL BUNKER
Director

Huge demand remains for auditors with information and cyber security experience. Specifically, employers are keen to source professionals who have worked on:

- Threat and vulnerability management;
- Cyber security strategies;
- DevSecOps;
- Security operations centres;
- Cyber incident response; and
- Security cultures.

Other areas where we've seen significant interest include candidates who have audited payment systems, as well as professionals who specialise in change, implementation and building and developing audit analytics tools.

Given the skills shortages across various areas, it's hardly surprising that 46% of organisations chose subject matter expertise as the main reason they utilise IT auditor con-

tractors. Three-quarters of organisations are also expecting to hire into their IT audit departments in 2019.

We continue to see a blurring of the lines between 'business' and 'IT' auditors. There is an increasing expectation that IT auditors will have a good grasp of business processes, while business auditors should understand technology risks and be able to perform integrated audits.

Consultancies



STEVEN DRIVER
Senior Consultant

Both Big 4 and the wider Top 10 firms recruited in 2018, with a preference for sub-managerial level roles. The Big 4 have reacted to candidate shortages by offering better financial packages to compete with commercial businesses. Mid-tier firms are still behind the curve regarding salaries; however, they are leading the way with softer benefits, such as promoting a healthier work-life balance.

Newly qualified candidates still seek their first move into the industry relatively swiftly after completing their studies. Consultancies are placing a number of opportunities in front of these junior auditors, with many searching for strong interpersonal skills over sector knowledge at this grade. At a senior level, we've seen candidates within the industry, who are at the level of Senior Manager and Head of Audit, increasingly consider a return or first move into the practice environment. Many believe this is an opportunity to gain exposure to different sectors on either a permanent or interim basis, while others see this as a shorter-term route back to another senior-level position.



07

Conclusion

The internal audit market continued to evolve in 2018. Departments faced significant headwinds, including regulatory changes, uncertain political and economic forces, growing stakeholder expectations and disruptive technologies.

Yet the recruitment market remained surprisingly buoyant, with permanent vacancies, placements and the seniority of roles all rising. Demand continues to be strong for high-calibre candidates with the right mix of skills and experience, to excel in today's increasingly technology-focused audit world.

Heading deeper into 2019, skills shortages show no signs of abating. As salary dissatisfaction grows, the war for talent looks set to continue, particularly for talented IT auditors with cyber security expertise.

The internal audit landscape is becoming harder to navigate for both candidates and clients. This is where the right partner who understands the market can help guide the way.

08 Salary guide

Barclay Simpson analyses the salary data that accumulates from our UK internal audit placements. The salary ranges quoted are for good rather than exceptional individuals and don't account for other benefits such as bonuses, profit-sharing arrangements and pension benefits.

For further information about salaries in the internal audit market contact David Hornsby at dh@barclaysimpson.com

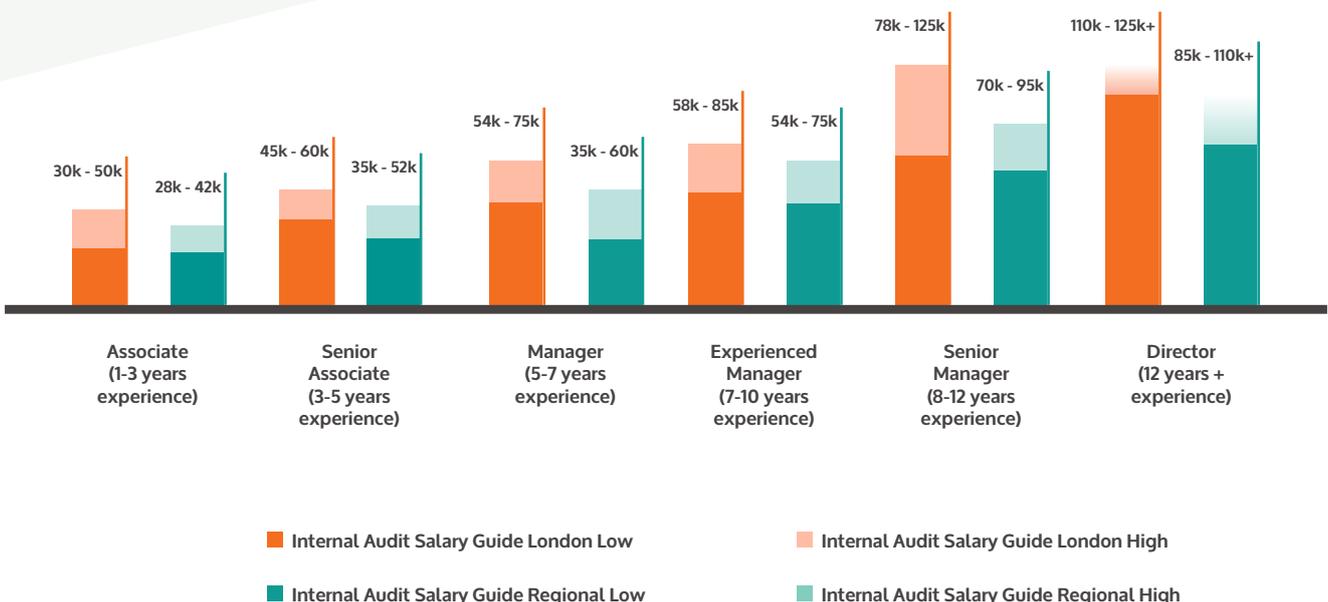
Key

Each bar shows the low and high salary range:



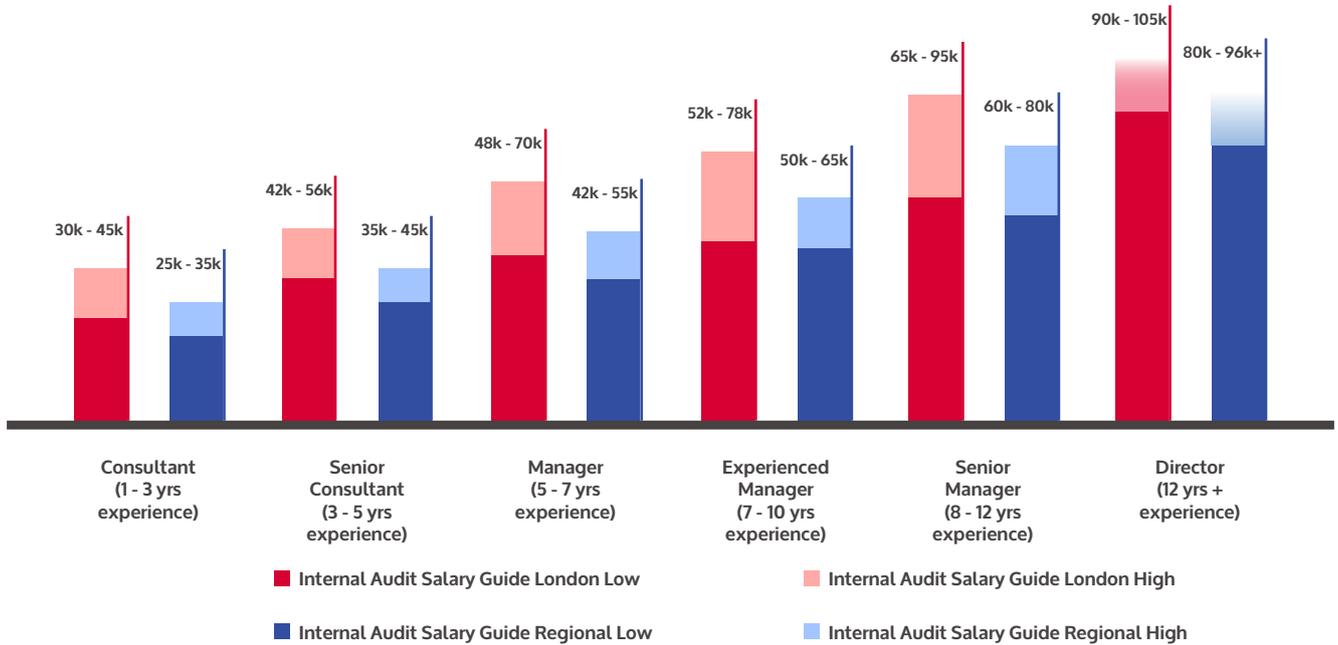
Big4

Gross annual salary in GBP



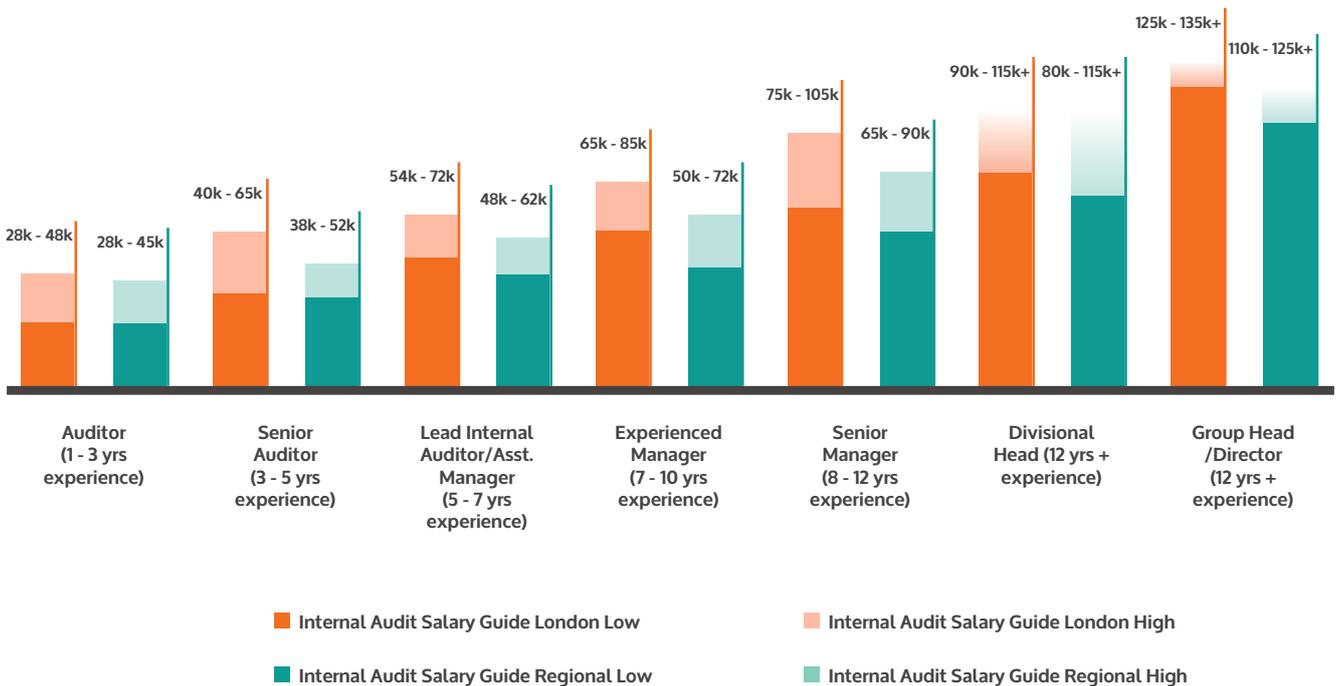
Mid-tier

Gross annual salary in GBP



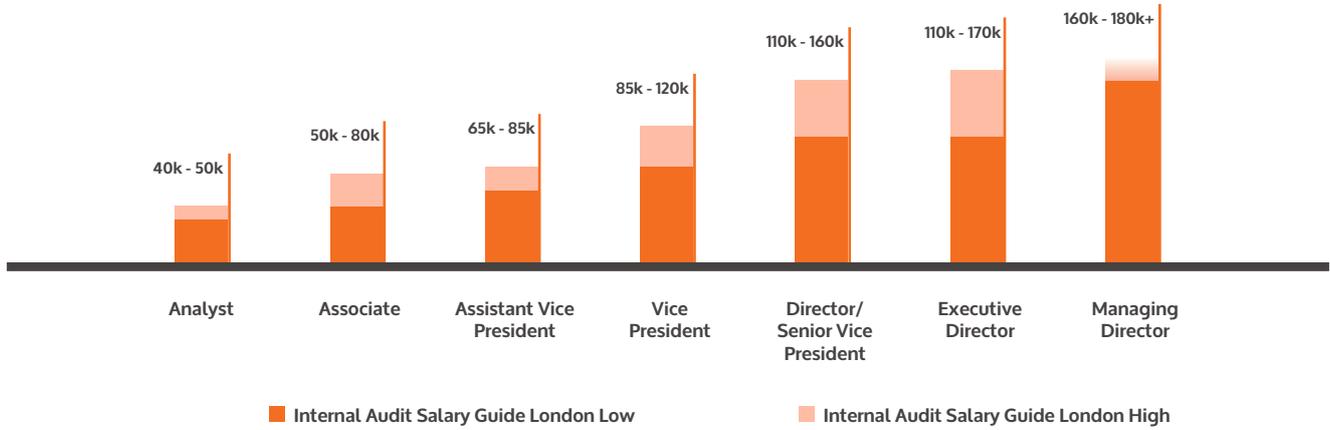
Commerce & Industry

Gross annual salary in GBP



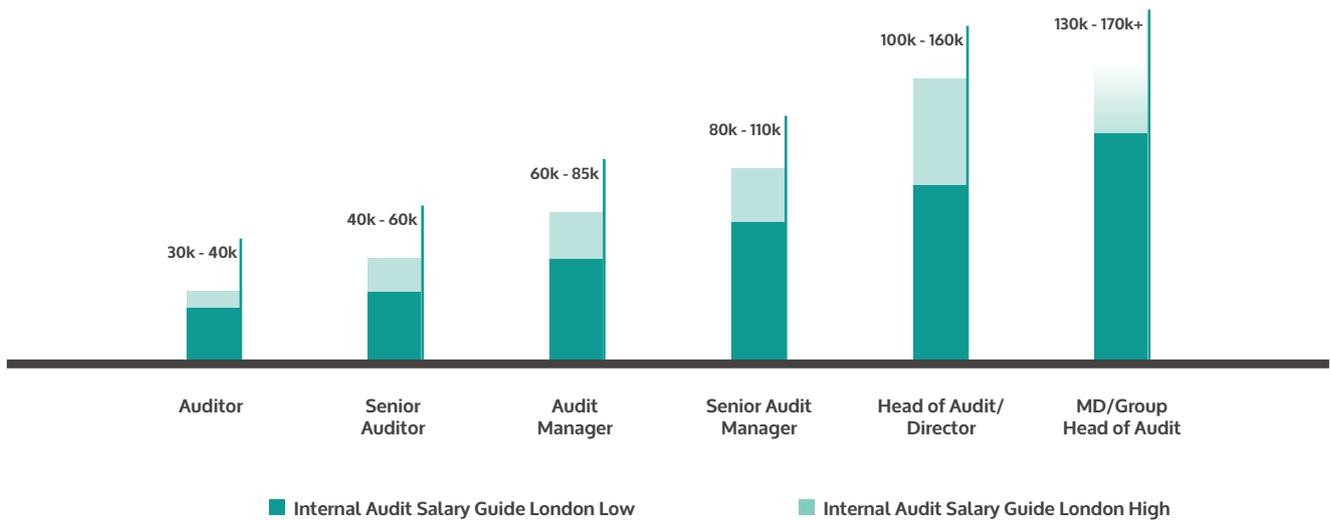
Investment Banking London

Gross annual salary in GBP



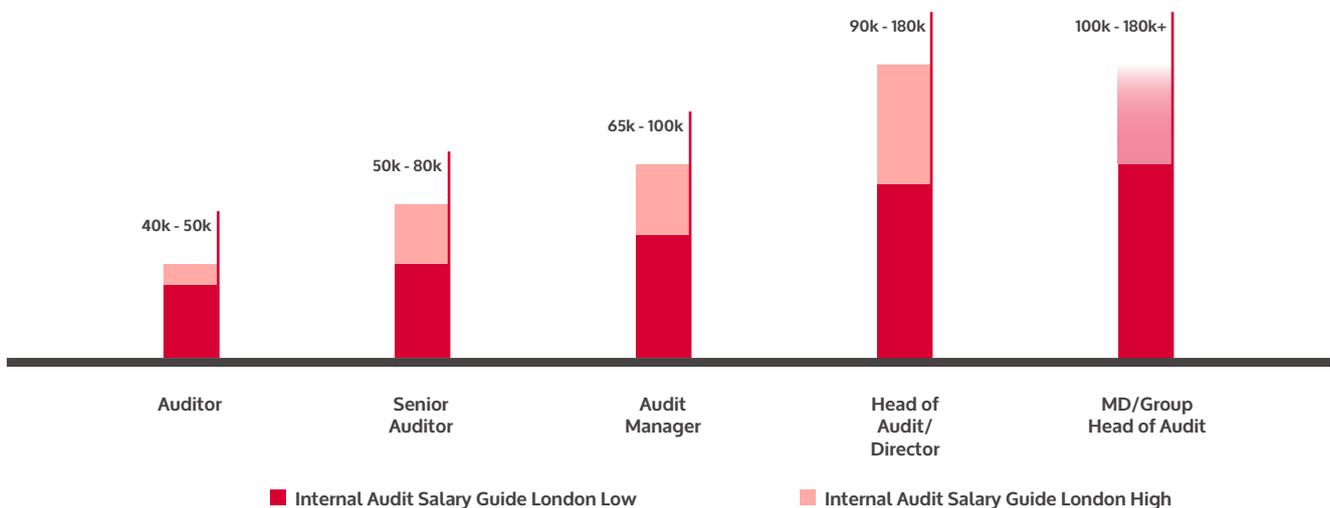
Retail Banking London

Gross annual salary in GBP



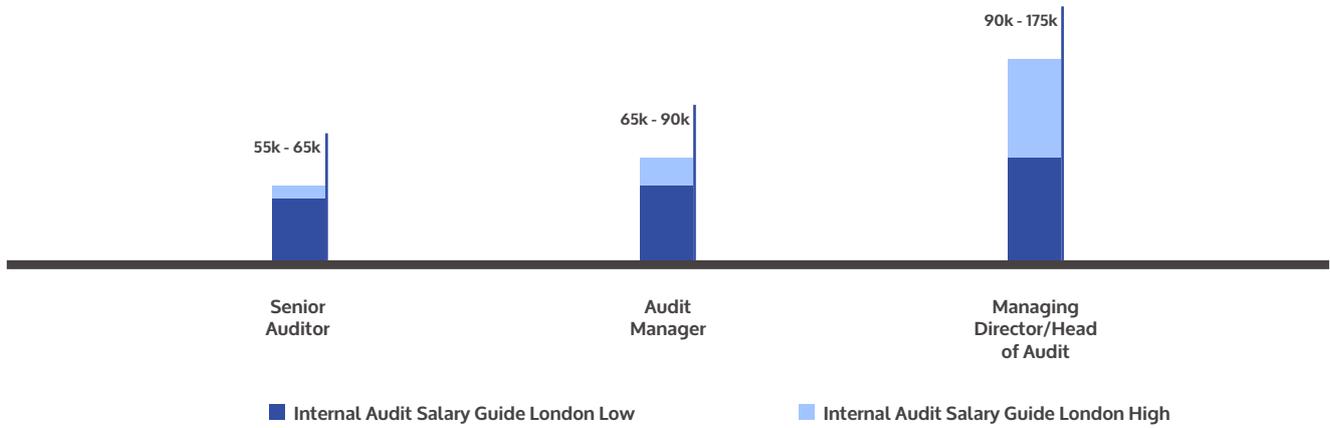
Asset Management London

Gross annual salary in GBP



Insurance - Lloyds Market London

Gross annual salary in GBP



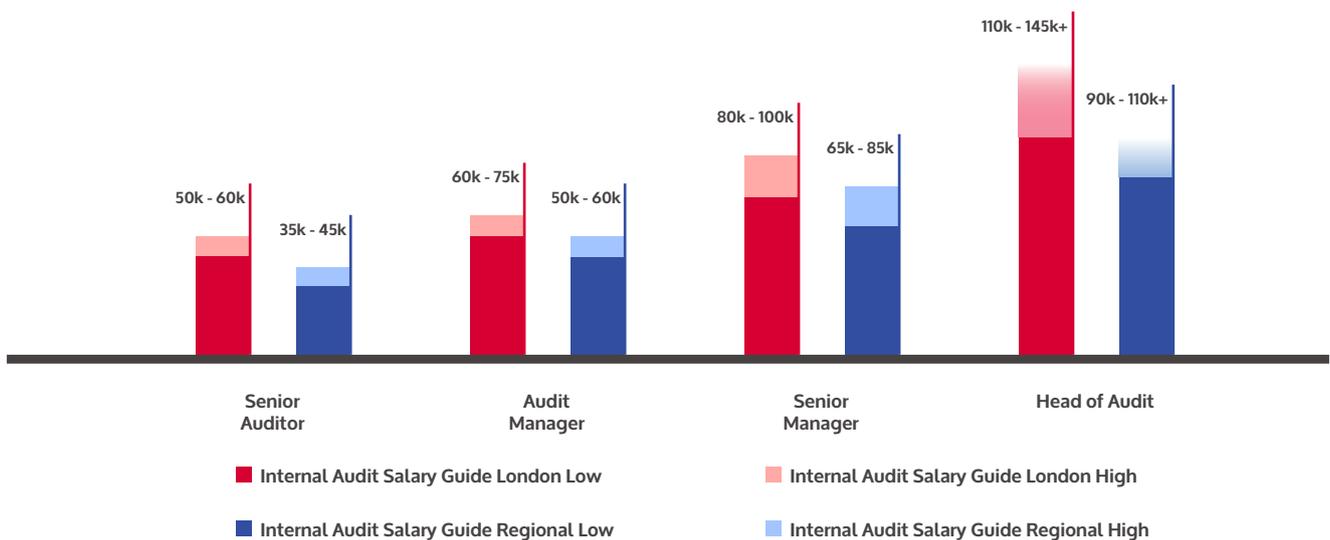
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Gross annual salary in GBP



Large Insurance - Life and Non-Life

Gross annual salary in GBP



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Barclay Simpson is an international recruitment consultancy specialising in internal audit, risk, treasury, cyber & information security, business continuity, legal and company secretarial, compliance and treasury appointments.

Our strength lies in our ability to understand client and candidate needs and then use this insight to ensure our candidates are introduced to positions they want and our clients to the candidates they wish to recruit.

We also provide comprehensive reports and compensation guides for the risk, treasury, security and resilience, business continuity, legal and compliance and treasury recruitment markets. All our specialist reports can be **accessed for free on our website:**

<https://www.barclaysimpson.com/market-report-2019>

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