



EXECUTIVE
REPORT:
INTERNAL AUDIT
COMPENSATION

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2015 INTERNAL AUDIT COMPENSATION STUDY EXECUTIVE REPORT

By Paul McDonald, *Senior Executive Director, Robert Half*

More than ever before, internal auditors are being counted on to serve as strategic partners for the business. “In many organizations now, internal auditors are seen less, or not at all, as ‘policemen,’ but as advisers, strategic partners and consultants,” notes Protiviti’s *Internal Auditing Around the World*. “Management now looks to leverage internal audit as a strategic resource, recognizing that internal auditors’ broad and deep perspective of operations, risks and potential opportunities can help inform business decision-making.”¹

In addition to traditional internal audit skills, companies seek staff with expertise in information technology (IT), cybersecurity, and analytics. As business further globalizes, companies seek practitioners knowledgeable in international regulations and able to speak multiple languages.

This is an exciting time for internal auditors. Their expertise is increasingly sought, and there are new and varied opportunities to leverage their skills. They serve a critical role helping companies on the front lines in the battle against external threats and are positioned well to dive into the latest technology systems and trends.

Now also should be a prime opportunity for employers and audit executives to attract internal auditors. However, not all companies are capitalizing on this momentum.

The Challenging Hiring Market

The U.S. economy has seen a shift to a more challenging hiring environment. Job openings, as reported by the U.S. Bureau of Labor Statistics, reached an all-time high in mid-2015.² Retention is a major concern as well. Compared to July 2013, the number of people who quit their jobs in July 2015 was up by more than 370,000.³

Talent management issues in internal audit are even more severe. The Bureau of Labor Statistics also reported that unemployment for accountants and auditors, which includes internal auditors, fell below the national unemployment rate for 2014, a

Table 1:
Areas of Skill Deficiencies

Rank	Skill
1	Quality Controls, e.g. Six Sigma
2	Data Mining & Analytics
3	Cybersecurity & Privacy
4	Forensics & Investigations
5	IT (General)

Source: The IIA’s 2015 North American Pulse of Internal Audit survey, October 2014. Participants were asked to identify areas of skill deficiency in their internal audit function.

1. *Internal Auditing Around the World: Strengthening the Profile of Internal Audit*, Volume XI, Protiviti, July 2015.
2. “Job Openings and Labor Turnover Survey — July 2015,” U.S. Bureau of Labor Statistics, September 9, 2015.
3. *Ibid.*

trend that continued through the first three quarters of 2015.⁴ While the unemployment rate for internal auditors is low, the need for these professionals continues to grow. In fact, the number of accounting and audit jobs created is predicted to outpace the overall average.⁵

This disparity has led to severe gaps for specific skills within the internal audit profession. According to the 2015 North American Pulse of Internal Audit from The IIA, internal audit functions are experiencing the greatest skills shortages in the areas of quality controls, data mining, cybersecurity, forensics, and IT (see **Table 1: Areas of Skill Deficiencies**).

What's Bothering Internal Audit?

Despite the bar being raised on the kind of talent and skills internal audit functions need, there is a limited pool of internal auditors meeting these expectations. The majority of respondents to an earlier IIA survey cited this dearth of candidates as the primary contributor to the skills gaps they are experiencing.

Chief audit executives (CAEs) also pointed to insufficient compensation.⁶ The 2015 Internal Audit Compensation Study from The IIA shows that although the demands on today's internal auditors are increasing, the salaries and benefits companies offer are not keeping pace.

Other factors are contributing to recruiting issues. For example, CAEs see a "brand identity crisis" related to difficulties attracting talent to internal audit from fields perceived as offering higher salaries, greater prestige, and more advancement potential. In addition, many professionals, both inside and outside the profession, view internal audit as a short-term training stop, and internal audit departments are often not seen as offering strong retention incentives compared to other financial areas.⁷

CAEs all too familiar with the talent crunch have reason to be concerned. The inability to recruit and retain the highly skilled professionals they need puts their departments at risk of not being able to fulfill existing expectations and respond proactively to emerging risks.

4. "Employed and experienced unemployed persons by detailed occupation and class of worker," U.S. Bureau of Labor Statistics.

5. *Occupational Outlook Handbook*, U.S. Bureau of Labor Statistics, January 2014.

(Note: The Bureau of Labor Statistics groups accounting and auditing jobs in its analysis.)

6. *Pulse of Internal Audit: Navigating an Increasingly Volatile Risk Environment*, The Institute of Internal Auditors, March 2015.

7. *Ibid.*

The Compensation Factor

How willing are companies to increase incentives to attract top professionals to their internal audit departments?

The 2015 Internal Audit Compensation Study found a growing percentage of companies are awarding raises to the majority of their internal auditors. Respondents also reported salaries are notably higher for professionals with advanced certifications. According to the research, the median salary of internal auditors with one or more certifications is 43 percent higher than the median salary of their counterparts without a certification, and the gap is widening (see **Table 2: Median Audit Salary by Certification**).

In addition, more organizations are offering compensatory time off and flexible work schedules to internal audit staff than to nonaudit employees. These perks are a valuable way to compensate internal auditors for time spent traveling and working away from their main office.

By other measures, however, internal audit employees are behind in the compensation race. Internal auditors commonly lag behind their colleagues in other departments, at least somewhat, in areas including sign-on bonuses, cost-of-living increases, retention bonuses, paid time off, and wellness programs. Companies also are not as likely to increase salaries for internal auditors to meet market demands as they are for other professionals.

If organizations follow good governance, internal audit reports functionally to the board of directors or the audit committee. The trends identified suggest management at many companies maintains a disproportionate say over

Table 2:
Median Audit Salary by Certification

Certification	2015
No Certification	\$65,000 (586)
One or More Certifications	\$93,175 (974)
CIA	\$93,150 (471)
CPA	\$92,218 (546)
CISA	\$105,000 (236)
CRMA	\$112,896 (116)
CFE	\$92,218 (269)
Other*	\$104,841 (58)

*Other certifications included CCSA, CGAP, CFSA, and CA.

Source: The IIA's 2015 Internal Audit Compensation Study. Participants were asked to provide detailed salary and certification information.

internal auditors' compensation. CAEs must determine whether this is happening at their organization and make the necessary adjustments.

Shoring Up Internal Audit

Many firms have yet to significantly step up their efforts to recruit and retain internal audit professionals at levels commensurate with the growing demands on them and the scarcity of skilled candidates. The growing talent shortage for skilled internal auditors may, as IIA President and CEO Richard Chambers said, “blindsided” some organizations.⁸

Given the expanding and more volatile risk environment today, it is critical that internal audit departments have the resources and capabilities to assess risks on a continuous basis. If organizations don't make internal audit recruiting and retention a priority, this lofty, but important, goal will not be achieved.

What can internal audit executives do to reverse course and shore up their departments? The best defense against these hurdles is a strong offense. With in-demand internal auditors frequently receiving multiple attractive job offers, organizations need to do more, not less, if they are to compete successfully for top talent.

The ability to recruit skilled talent into internal audit starts with highly competitive pay. Compensation must be commensurate with the level of skills required of internal auditors to identify and address critical organizational risks.

Consider these suggestions:

Build the business case for the right resources. CAEs, who would normally be setting the priorities of the internal audit function, have to double as marketers by taking the lead in advocating for their departments. This is not to suggest a typical once-a-year appeal for resources.

Engage in an ongoing discussion with executive management, human resources, and other key stakeholders to discuss organizational needs and where skill and coverage gaps exist on internal audit teams. Solicit input from stakeholders while also making proactive proposals about how internal audit can stay on top of organizational needs.

8. Ibid.

Pay competitively — or better. Money does talk. In a Robert Half survey, financial executives and workers agreed inadequate compensation and benefits is the primary reason employees quit.⁹

Many internal auditors are in the driver's seat. To woo them, CAEs must make them an offer they simply cannot refuse. CAEs should examine how internal audit's salaries, benefits, and perks measure up against other departments with comparably skilled professionals and question the reasons for any apparent inequities.

Internal audit functions need to develop a reputation for paying above-market rates. The more they are viewed, both internally and externally, as paying well and supporting internal auditors in their career development, the greater advantage they will have in attracting and retaining top performers.

As shown in the 2015 North American Pulse of Internal Audit, CAEs have acknowledged one recruiting hurdle is internal audit often suffers from an image problem. As a result, departments are facing a two-front attack and must develop plans to combat both. It is incumbent on audit leaders to show the value of an internal audit career and make a compelling case to recruits. Part of this package must be enticing compensation. Without both, internal audit departments have little chance of attracting promising candidates into the field.

Offer attractive benefits. Leading employers distinguish themselves further by offering comprehensive benefits packages. CAEs should push their organizations to provide in-demand offerings, from remote work arrangements and robust training and development programs to reimbursement for costs related to obtaining and maintaining the Certified Internal Auditor® (CIA®) and other certifications.

Many perks are inexpensive to implement and maintain. For example, telecommuting costs essentially nothing and can help companies save money, particularly in areas such as energy and desk space.

Highlight internal audit's career value. With some fields perceived as more glamorous, internal audit executives need to take it upon themselves to show how experience in internal audit can help professionals at all stages of their career. When meeting with talented prospects, CAEs should be showing them how internal audit provides a unique look into the business and the diverse challenges facing companies.

9. "Why Good Employees Quit: CFOs, Workers Agree Employees Most Likely to Leave Their Jobs Over Salary," Robert Half, Oct. 22, 2014.

It is not just those launching their careers who should be hearing this pitch. More senior professionals looking to build their business acumen in preparation for higher-level posts can benefit from the experience as well. Whether they are speaking with career auditors or professionals moving through the function, audit leaders must sell the value of an internal audit position for a long-term career path in business.

Take advantage of demographic shifts. One source of additional compensation and opportunity for internal auditors may come as baby boomers begin to retire in significant numbers. As a result, CAEs may find they have more budgeting flexibility.

Although retirements result in the loss of experienced professionals who have valuable traditional audit and institutional knowledge, these departures also open opportunities for CAEs to rethink the skills their departments need and allocate salaries accordingly. For example, internal audit leaders can look to hire candidates with specialized expertise in high-priority areas, such as IT auditing and fraud investigation, which often command higher salaries.

Keeping Staff Engaged

Salaries and benefits are the start, but managers will need to ensure their teams remain engaged. Professionals today want to work for organizations — and managers, in particular — who take a sincere interest in their well-being and career growth.

A key component of keeping people engaged — and on board — is communication. The younger generations are known for craving feedback, but this is a characteristic of employees at all career stages. Internal audit leaders must remain in consistent communication with their teams, praising their achievements and identifying areas for improvement.

Take the time to partner with employees on developing career paths. Beyond telling staff the type of position they could one day aspire to, managers should discuss specific career progression options and establish milestones and steps personnel will need to meet to reach them. In this environment, professional development programs can be a competitive differentiator when trying to hire and retain top performers. Emerging workforce groups, such as Generation Z, also look for a boss who can serve as a coach and mentor.¹⁰

10. Get Ready for Generation Z, Robert Half, July 2015.

CAEs need to be actively involved in helping staff find a balance between work and personal obligations, as well. Internal audit, by its very nature, demands periods of heavy workloads. While this is inescapable, managers can find ways to enable their teams to strike a balance.

By serving as a strong role model, internal audit managers will help personnel hone their own management and leadership skills. Even if these professionals leave the department, they can serve as ambassadors and influence other talented workers to join it.

Making the Case

A close review of the 2015 Internal Audit Compensation Study should provide CAEs with additional support in making their case for assembling internal audit teams with the broader skills needed to address stakeholders' changing requirements. The ability to attract much-needed resources will be heavily dependent on whether CAEs can offer compensation commensurate with the growing talent shortage for internal audit skills and the risks and pressures facing today's internal auditors. In light of the trends in internal audit compensation, CAEs should advocate for budgets sufficient to obtain the necessary resources, not settle for inadequate funding that leads to poor hiring decisions.

To learn more about The IIA's 2015 Internal Audit Compensation Study or to purchase the full report, visit www.theiia.org/goto/compstudy.



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