

2022

RISK OVERVIEW

Human capital,
diversity and
talent management



CONTENTS



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

INTRODUCTION:

Human capital, diversity and talent management

The world may have gone digital, but it grinds to a halt when real people are absent. We saw this last year when a lack of lorry drivers caused international supply delays and soaring prices. As Covid restrictions ease, organisations across the world are realising that the people they need to grow and develop their businesses are simply not there.

This is partly a consequence of changes to working patterns and individual life choices during the pandemic, but it is also an acceleration of a longer trend. Each year, Institutes of Internal Auditors from across Europe and the European Confederation of Institutes of Internal Auditors (ECIIA) collaborate to survey and interview chief audit executives (CAEs) to produce our Risk in Focus report, highlighting the most important risks for the year ahead. This year, human capital, diversity and talent management rose to its highest position ever when it was cited by 40% of CAEs across Europe as one of their top five risks for 2022.

People with technology expertise have been in critically short supply for many years. Now, however, the skills crisis has widened dramatically and organisations in

all sectors and locations are struggling to find people at all levels and with a huge range of skills. There are no easy answers – but it is clear that organisations need to find new ways to attract and retain talented employees and invest in training and education.

Done well, this could have long-term benefits for diversity and inclusion and for company culture. Those organisations that have already worked hard to improve their equality, diversity and inclusion will reap the benefits as they are able to reach out to larger pools of potential employees and to attract those who leave employers they perceive as unsupportive or unable to offer them opportunities. Those that have



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

not will have more limited options and must scramble to catch up. Corporate reputations matter more than ever.

We will need to rethink job requirements and this should offer new opportunities to people who felt excluded from jobs or sectors in the past. This in turn should help organisations to develop stronger, more diverse management teams in future – which has been shown to improve corporate decision-making. However, a more diverse, remote and dispersed workforce also creates challenges for managers.

This new report, produced jointly by the institutes of internal auditors in Austria, Belgium, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Spain, Sweden, the UK and Ireland and the ECIIA, draws on roundtable debates and interviews with CAEs across Europe to explore the key issues for organisations and for internal audit teams and to suggest questions and actions that CAEs and their teams can use to raise awareness in their businesses.



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

‘WHERE HAVE ALL THE PEOPLE GONE?’

This has become a constant refrain. The issue of a crisis in talent supply and talent management was highlighted in our Risk in Focus 2022 report ¹ in September 2021. If anything, it has become even more critical since then.

Many companies think they are doing enough to attract and retain talent, but most clearly aren't, warns Steve Ingham, CEO of international recruitment company Page Group. "If every company is doing as well as they say they are, why are we seeing demand for people rocketing?"

This is serious for the internal audit profession – the International Standards make CAEs explicitly responsible for ensuring that their audit resources are "appropriate and sufficient" to achieve their approved internal audit plan – but it is also a huge risk for the organisations they work for, if there aren't sufficient internal auditors to provide the level of assurance sought by the organisations' stakeholders in relation to business critical risks. Every part of almost every organisation and sector is struggling to find the people it needs now and reassessing the skills it will need in future.

While a current shortage of talent may be temporary for some, the longer term issues surrounding skills shortages, talent planning and management and rapidly evolving training needs will be with us for years. If the "great resignation" or "reshuffle" materialises, rapid turnover of staff will create interrelated risks as organisations lose years of relationships and specific organisational knowledge. Those that manage to hire replacements may struggle to recreate their desired culture, especially if the new people are working remotely. For some organisations these problems could significantly impact growth; for others they are an existential risk.



STATS

Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

50% of all employees will need reskilling in the next five years

Employers expect to offer reskilling and upskilling to just over **70%** of their employees by 2025, however, only **42%** of employees are taking up employer-supported reskilling and upskilling opportunities.⁴

9.4 million workers in the UK (32% of the workforce) will leave their current jobs in the first six months of 2022.

Nearly half of younger workers are prepared to leave their jobs over ESG.

30% of workers will look for a new job unless ESG activity is increased.

53% of people won't work for an employer they think is unethical.

22% of 18-34 year olds list corporate values above salary.⁵

The global cost of lost productivity because of ill-health, absenteeism and high staff turnover is estimated to be around **\$2.5 trillion per year**.⁸

78% of senior executives rated "Post-pandemic talent" as one of their top emerging risks for 2022, making it the single most important emerging risk for organisations this year in Gartner's "Emerging Risks Monitor Report".⁶

50% of UK employers are planning to invest in automation or IT in the next 12 months in response to staffing challenges.

38% of employers say skills shortages are a worry, and investment in technology could help address the recruitment challenges that **61%** of employers said they are experiencing.⁷

50% of employees say they are struggling with work-life balance, while 45% are affected by family pressures such as childcare.⁹

64% of employees say they most want support from employers for finances, living conditions and health provision.¹⁰

50% of organisations expect to transform their operations in the next three years.

67% report a skills shortage in the tech team.

43% lack people with cyber security skills.

40% lack people with big data skills.

34% lack technical architects.¹¹

Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

A SHORTAGE OF PEOPLE

The reasons for talent scarcity are varied. Some are local – for example, Brexit may be one factor in the UK – but many more are relevant across international borders. One important issue causing consternation in the recruitment industry is a shortage of qualified people entering the workforce per se.

“What’s really bothering us is the number of skilled, experienced, older people who are choosing to leave the workforce altogether or do something less pressured, while at the same time younger people are staying longer in education,” says Kate Shoemith, deputy CEO of the Recruitment & Employment Confederation in the UK.

“The younger people will eventually enter work, but the older ones may be lost forever if organisations cannot tempt them back. The pandemic has left many feeling burnt out and caused some to reassess what they value in life. Money is not a solution here. Organisations are going to have to look more at hiring these people as contractors, offering flexible hours, considering job shares and other ways to ensure they continue to use their skills and help to train the next generation,” she says.

Internal auditors in multinational organisations should be monitoring the situation for both recruiting internal auditors in different regions and for local shortages affecting skills in the wider

business in key geographical locations where their organisation operates.

Dermot Byrne, head of the Internal and EU Audit Unit in the Department for Public Expenditure and Reform (DEPR) in Ireland says that his country has experienced large-scale immigration over the past three decades, so integration and skills are important factors. “Prior to the 1990s, in government departments we were accustomed to talking almost entirely to, and about, people born in Ireland. Now we are working hard to ensure our civil and public services are inclusive and diverse. Measuring how successful we are at bringing non-Irish-born people into senior and skilled roles will be a key indicator.”

Conversely, Maria Rontogianni, head of group internal audit in Alpha Bank in Greece, says the country suffered a huge “brain drain” in its financial crisis over the course of the last decade and the bank is actively recruiting people back to their home country. “We hired over 40 people from overseas during the Covid period,” she says.

While flexible working models may enable organisations to hire people in other countries or move existing staff to remote teams, this is a two-edged sword since it also means that their skilled employees can be poached from further afield. Rontogianni does not believe that fully remote working is a long-term answer to skills shortages. “We need to get real people and a physical presence back in our daily lives. We need a balance of both,” she says.



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

Other macro changes, such as climate change, are also affecting skills needs in specific regions.

“We’re an energy company currently dealing with the energy transition to decarbonized sources, so, to adapt to this change as internal auditors, we need to revitalise our processes as well as our execution model and this includes our people and organisation. We need to change our brain – work out how to work in a new world,” says Isabel Moreno Salas, head of audit, control and risk at global energy company Repsol in Spain. “But it’s dangerous to treat talent challenges as a homogenous risk. We need to develop a flexible way to face it, dealing with it differently in different places according to the specific circumstances.”

Her organisation has created a diversity committee and undertaken competency analysis to identify existing skills and succession planning needs, as well as desired skills. It also monitors employee attrition rates with an automatic red flag system to highlight potential issues that need to be followed up. This has highlighted different shortages and needs in, for example, the US compared with India.



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

SKILLS EVOLUTION

The need for some skills, particularly in IT and technology, is evolving rapidly. People with IT expertise have been in short supply for years, but the pandemic has made the situation far worse. Whereas specialist IT skills used to be required mainly in IT functions and specific sectors, now every function in almost every sector requires access to, and competence with, a range of new digital tools, from integrated big data systems to artificial intelligence (AI).

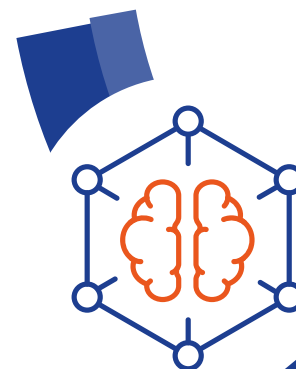
Now that hybrid working and flexible working are the norm in many organisations, more employees need hardware, software, training and support. Most organisations have had to reassess how they offer digital services and products and this has created new demands for digitally savvy managers. Not surprisingly, the need for cyber security professionals is soaring.

Bev White, CEO of specialist IT recruiter Harvey Nash, says a search for open roles in cyber security recently found over 3.5 million vacancies globally. “This supports a report in the UK by the Department for Digital, Culture, Media and Sport (DCMS) in late 2021 that showed 10,000 roles advertised in the UK.”

Internal audit teams have been advised to utilise big data and technology for years, and a move to remote auditing during the pandemic made this more urgent.

Now, however, internal audit leaders must compete for these skills with other functions in their own business and those in other organisations and sectors across the world.

Meanwhile, employees with valuable skills have seen opportunities opening up globally – they can work from anywhere for anyone. This is an opportunity for internal auditors, and for internal audit functions that are willing and able to recruit further afield, but it also creates a whole new marketplace for skills and may increase wages significantly.



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

TRANSFERABLE TALENTS

Professional and technical skills are vital, but so too are transferable skills, often called “people” or “soft” skills. Recognition of the importance of these has risen dramatically in the past few years, but the pandemic accelerated changes that have made such skills critical at all levels, creating new competition for these as well.

While professional skills train people to do a role, transferable skills make people transferable – able to cross functional boundaries and move to new roles. This increases their resilience and should open doors into internal audit as well as other functions, but internal audit leaders may need to change the way they identify the talents they require, asking “what do I really need to get the job done?”, rather than “how do I replace the person I have lost?”.

Internal audit leaders should also look to their management skills – and those of management in the business. Do they have the skills they need to manage a remote, flexible workforce with non-traditional backgrounds? How do you train young people entering the workforce who would traditionally learn skills such as how to “read” a room, how to behave in a meeting and ways to win people over to their preferred strategy from shadowing experienced managers in physical meetings?

“Talent management is also about the ability to change jobs, not just about staying in the same area doing the same things,” points out Sabine Drujon, specialist in people and culture, audit and risk at Values & Senses in France. “We need to be better at getting HR to see talent management as people’s own ability to grow, change and move elsewhere, not just in their current role.”

One CAE in a European car manufacturer believes that the skills most in demand in future will be those that support corporate transformation. “In the past we used classic instruments such as surveys to measure the feelings and insights of staff and had annual meetings with all our employees to discuss opportunities and skills. In future, it will be more important to bear transformation in mind.”



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

ARE YOU ATTRACTIVE ENOUGH?

“Selling” the attractions of a career in internal audit and a healthy culture in the organisation is more important than ever. To widen the talent pool, internal audit leaders must look further afield and that means promoting the profession to people who have never considered it. If people don’t know what internal audit does or why, they are unlikely to apply for a job.

This is also true for organisations. Internal audit should check that management understands how the organisation is perceived in the recruitment marketplace. If you are competing with others across the country, or even the world, what makes you stand out? Why would someone choose to work for you? Are you holding on to the people you need?

“As a recruitment company, we only have our people, so we can’t afford to lose them,” says Steve Ingham, CEO of Page Group. “All our managing directors and senior managers have succession plans and I haven’t lost an MD I didn’t want to lose in 16 years. A lot of this is about helping them to maximise their potential and investing in them to keep them motivated and fulfilled, but it’s also important to listen to staff and what they really want.”

Recruiters also say that candidates are increasingly interested in organisations’ environmental, social and governance (ESG) reputations and whether they live up to their glossy mission statements in

practice. If your organisation is genuinely doing good things, now is the time to shout about it.

Organisations also need to look after their staff and keep them motivated in the new workplace. Health and wellbeing initiatives have never been more important to prevent burnout and sickness among staff. Done well, these can also be used to attract new people to the workforce.

If you are offering remote working options to new staff, you need to consider how this affects existing teams and what you offer them. Richard Brasher, vice-president, corporate audit, LKQ Corporation, says that he is having to offer remote working to get the people he needs now.

“I was excited when my team informed me that the offer we had made to a Nigerian-born, talented, and recently qualified auditor had been accepted, and disappointed when I was told shortly afterwards that the Big Four audit firm she was currently with had made her a counter-

offer which we couldn’t match,” he says. “Then, when a recent bilingual recruit with international experience in Germany asked if he could be located 800km away from our Munich office in Rostock, I had little choice but to agree.”

However, this makes it hard to refuse similar requests from existing staff if they wish to move away for a better lifestyle. It also requires a different mindset and has management and culture implications that internal audit leaders need to consider.





OPPORTUNITIES

The skills squeeze may be an existential risk, but it is also an exciting opportunity for those able to capitalise on it – and internal audit is well placed to advise management on this and work alongside HR professionals and those in other departments, such as marketing and IT, as well as warning them of the risks of failure. Reputation is key. Organisations that are perceived as good employers with well-motivated staff who genuinely feel cared for, developed and trusted will find it easier to attract skilled people and to retain the people they already have.

Many organisations have introduced support initiatives during the pandemic and have pulled teams together with a common cause and generated huge loyalty. Now is the time to capitalise on this. Those that have not supported staff, or have gained a reputation for letting them burn out, should brace themselves for a high staff turnover and the expense and loss of experience and skills this will entail. They should be working hard to demonstrate that they can change.

More flexible working patterns should expand the talent pool enabling imaginative organisations to pursue diversity goals more effectively. This, in turn, may prompt new ideas for products, customer service or employee welfare and may enhance an organisation's reputation. Organisations should therefore look for potential employees in new places – using social media, customer databases, family and friends networks, the local community, universities, colleges, schools and training providers to find people who may not know

about them. They should also consider training apprentices.

So far, few organisations are broadening their talent pools sufficiently, according to Steve Ingham, CEO of Page Group. “It amazes me that every company says it wants to be more diverse and then only wants to recruit from the places they’ve always recruited from,” he says. “There is a much broader way of accessing more diverse pools of talent now via social media. If you don’t have a diverse pool, you can’t have diverse employees. Your customers will almost certainly be more diverse than your employees.”

Some roundtable participants commented that it’s easier to improve diversity in a big team within a large organisation than in a small one. However, all agreed that they wanted their team to be more diverse.

Other solutions to talent shortages are also emerging. Astrid Langeveld-Vos, group director of internal audit at

financial services company Achmea in the Netherlands, says that her organisation has moved away from outsourcing many processes to “near-shoring”, creating dedicated teams working purely for their business within a hub in another country, such as Poland, with different local skills markets. “We’re looking to do this more in future to create a flexible workforce with skills dedicated to our organisation,” she says.

Others point to advantages from newly acquired skills and working practices. The pandemic resulted in an accelerated roll out of IT enablement across the HSE and the move to working virtually during the pandemic helped to upskill the workforce leading to more efficient and effective ways to work, points out Dr. Geraldine Smith, National Director of Internal Audit for the Health Services Executive (HSE) in Ireland. “This has been a positive consequence of being more IT-enabled.”

Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

TRAIN, RETRAIN AND UPSKILL

Training and development is vital for skills needed today and tomorrow. Organisations need to think not just about training staff for the job they currently do, but about training and development opportunities that will help them to work in other parts of the organisation in future. This requires joined-up thinking between functions and senior management and encouraging managers to see the greater benefit beyond their own requirements.

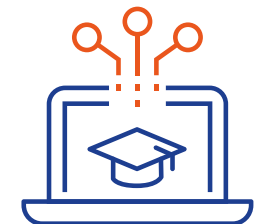
They may also need to work with training providers and educators to source and develop people from the start of their careers. Apprenticeships, for example, will provide new recruits and put employers in contact with training providers. Many organisations have close relationships with technical colleges and universities, but more professional functions, such as internal audit, should consider this in future.

“We need skills, but what I really need most is people with the attitude to learn and change the way we work,” says Devan De Paolis, vice-president of internal audit at Rome Airport. “We are facing another industrial revolution and in 20 years’ time we may face another. Things are changing fast and we need the attitude that will help us to keep up. I want auditors who think differently and can change the way we look at the organisations and the way we audit.”

Collaboration could also help share ideas and disseminate knowledge and skills. During the pandemic, internal audit leaders developed supportive networks, formal and informal, to help them share experiences and discuss best practice. These could be developed further to discuss skills problems and even to form collaborative networks for sharing skills and experiences.

“We have been used to thinking in a traditional audit sense that ‘this is my country’ or ‘my audit obligation’. We are now experimenting with cross-border centres of excellence to utilise skills across borders and encourage people to work and learn together on cross-border audits,” says Maria Rontogianni, head of group internal audit in Alpha Bank in Greece. “Language and culture barriers are a challenge, but most multinational companies have internal auditors around the world, so let’s start using the diversity we already have better and more imaginatively.”

Many organisations already run programmes enabling operational employees to take part in audits and contribute their expertise and knowledge of the business and learn about controls, risk management and governance structures. This helps fill knowledge and skills gaps as well as promoting an understanding of internal audit. Such schemes require careful management to avoid conflicts of interest, and may require internal audit to “lend” auditors to work on first and second-line projects in return, but the skills and development possibilities are obvious.



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

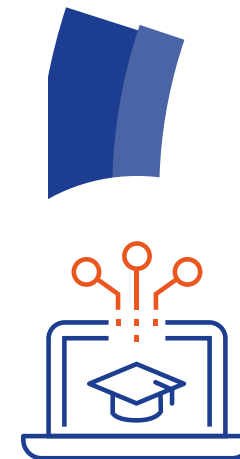
Roundtable questions and answers

David Bichler, CAE at Erste Group, says he takes interns from university and sets them tasks that make them think so he can see how they approach problems. In Austria, he says, a job in the bank has been seen as a career for life. Now, he tells employees that he will not necessarily be able to offer them this.

“We have to be honest. I say ‘I will train you, but I cannot promise you will be an audit manager in x years and you are free to leave if you find a better opportunity elsewhere,’” he says. “It’s dangerous to pay too high a price to keep people for too long in one situation. It becomes a trap – and this is true in the whole business, not just in internal audit.”

Ulrich Weber, head of internal audit at paper and packaging manufacturer Mondi Group in Austria, says that his organisation has a ten-year roadmap to develop its people and talent. “We are examining our long-term training and skills development to help ensure people have long-term employment with us. We are working to build a more diverse and inclusive workplace and are aiming to create an environment with a stronger focus on health and mental wellbeing,” he says. “These ambitions will be monitored and measured, but it is a challenge to create the same levels of diversity in all the countries where we operate.”

All organisations and internal audit teams must think more about what they will do in future – this may be quite different from what they do today.



DIGITAL REVOLUTION

The pace of technological change makes it inevitable that some jobs and skills requirements will disappear. Organisations that plan ahead can keep these people and ensure they can take on new roles as they arise. This saves money and tackles potential skills gaps, but also builds loyalty and motivation.

Some skills gaps will be filled by machines in future. This has happened since the industrial revolution, but in the past many organisations failed to adapt fast enough or to ensure they had the skills to keep them ahead of competitors. We need to learn from these failures and expect – and plan for – the unthinkable.

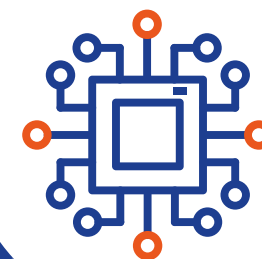
If we do this well, we can capitalise on the many advantages – cost, efficiency, scale of production – but we also need to face hard facts about the roles that will change. Internal audit is not immune. Highly skilled, statistical and analytical roles can be done better by AI and this will happen. Internal audit leaders must think about how to use this to their advantage and how to increase the skills and resources available to them. AI will be able to provide some of the skills currently in short supply, so the challenge is to use it well, recognise the risks, and identify the skills that the people using the AI will need to take internal audit to a new level.

An important separate issue is the ongoing shortage of people with essential IT skills. “We now compete with all other organisations in all sectors for internal audit talent and the cost of this talent is just going up, especially when it comes to IT skills,” says David Bichler, CAE at Erste Group, Austria’s largest bank. “The traditional separation between IT and other functions is close to obsolete. You can’t hire people with IT skills who have no clue about your business, or business people with no idea about IT. Everyone needs both because we all use IT all the time.”

This mix of IT skills and business knowledge is attractive across the business, so internal audit must compete internally as well as externally. CAEs will have to promote and “sell” the benefits of a career in audit more widely than ever before.

Those in large organisations and early IT adopters should also monitor a potential skills gap caused by the

retirement of the people who understand their multiple ageing legacy IT systems that were introduced piecemeal over the past 20 years. Internal audit should assess the risks related to the skills required to continue using these and highlight them to management, which will need to put in place good succession planning in a squeezed market.



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

More recently, remote working has created more work for IT teams, who need to ensure staff have the required hardware, software and training, and new requirements for internal audit to use IT for remote audits. Staff working outside “safe” corporate networks and away from immediate support increases risks – as well as the need for appropriate remote-working IT policies – and opens more doors to cybercriminals, so organisations need more security expertise to put in place appropriate cyber strategies. Not surprisingly, the people most in demand and shortest in supply are those with cyber security expertise.

“Every business has started selling online – they’ve had to in order to survive,” says Bev White, CEO at IT recruitment consultancy Harvey Nash Group. “Even my local restaurant started offering online ordering, and that went on to cook-it-yourself at home with fresh ingredients and a video from the restaurant chef giving instructions”.

Her company’s 2021 Digital Leadership Report² found that eight in ten digital leaders say that new “life priorities” among staff are making retention more difficult. Only one in three organisations have redesigned what they offer staff to make jobs more attractive, even though 67% of digital leaders say they cannot keep pace with change because of a dearth of talent.



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

WHAT CAN INTERNAL AUDIT DO?

Talent management is a clear priority this year and internal audit should be raising the key issues with their audit committee and management to ensure they are fully aware of the developing risks to their business. They can also play a part in advising organisations about opportunities for increasing diversity and the need to consider corporate culture, wellbeing and reputation.

Human capital risk can be included in many audits and feasibility reviews. Some internal audit teams will also want to do specific audits of HR, culture, training and development or diversity. Internal audit leaders should get their own houses in order and ensure that they are fully aware of talent management and people risk in their own teams and that they are horizon scanning for future needs and talent shortfalls.

The conversations and roundtables we hosted showed that many CAEs (and the senior managers they speak to in their organisations) are aware of the risks and take measures to mitigate these or to transform. More worryingly, several of the internal auditors we interviewed said that it can be hard to get management to put HR high on their risk agenda. Some also felt that internal auditors are reluctant to audit HR because they lack the skills or fear that criticising the HR function might limit their own career – although ensuring that the CAE reports directly to the Audit Committee Chair should mitigate this issue. Those that avoid the issues will fail to seize opportunities and may face unexpected talent crises in future.



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

QUESTIONS FOR INTERNAL AUDIT

The following are suggested questions that CAEs should be asking about their own teams and/or executive management. Some will be relevant to both internal audit teams and most other functions in their organisations.

- How is the organisation perceived in the world? Do people want to work for us? Do they understand what we do and can we do more to promote it as a great place to work?
- Are we being as flexible as we need to be? What do we need to get the job done – do we need to reassess our requirements and expectations of our workforce?
- Do we have the management skills to lead a diverse, dispersed, flexible workforce?
- How can we train management and staff across the business to work effectively and be fulfilled and happy in a new style of workforce?
- Have we mapped skills and competencies in our existing workforce and how can we open more opportunities for these people to progress and develop internally?
- How do we create and maintain our desired corporate culture in a hybrid working environment with a dispersed workforce? And how do we monitor its culture?
- How do we audit talent management and succession planning – as an individual audit or as part of wider HR audits? Has the position of this subject on our plan changed in the past five years?
- Have we discussed talent management and succession planning with the audit committee?
- Does the organisation use talent planning or management software systems? Do we have the data we need to evaluate future needs and risks from lack of talent?
- How is your organisation monitoring and planning skills needs and skills gaps? What are management’s contingency plans if they can’t find these people?
- What strategies does your organisation have to overcome a lack of new recruits or the right talent?
- Is management aware of the risks of losing skills and failing to acquire the ones it needs? Is it able and willing to pay more for specific skills, eg, IT skills?
- What skills and resources will the internal audit team need in the next three years? Where will these come from?
- What are you doing to retrain/upskill existing staff? Will this meet predicted future needs and, if not, what/how will the gap be filled?
- Where are current applications coming from? Is there a wider pool that is currently untapped and how can you reach it?



Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

PRACTICAL STEPS FOR INTERNAL AUDIT

Plan ahead – increase horizon-scanning and think broadly about future needs and possible staff and talent risk scenarios.

Forge relationships to discuss issues and share and develop skills – internally with other functions and externally with training providers, recruitment consultants and internal audit teams in other organisations.

Invest in existing staff. Map your team’s current skills against identified future skills and the skills required to deliver your internal audit plan and looking ahead to your strategic plan, think about how to fill predictable gaps.

Invest in technology – how can technology enable you to do more with fewer people and cover skills gaps? Develop the skills you will need to use this technology internally, rather than looking for it on the open market.

Examine your future resourcing needs in the light of current skills shortages – anticipate competition with other functions and entities and revise budgets if necessary. Talk to the audit committee and management and inform them if a shortage of people or a lack of budget will impact your ability to achieve your audit plan.

Revisit the organisation’s staff plans and succession plans – ask whether they are still adequate and effective.

Identify key positions in the organisation and ask whether these are sufficiently backed-up with, for example, succession plans, named deputies and policies on shared responsibilities.

Consider undertaking gap analysis across these key positions. Do they have the skills they require in future? Clarify whether management is taking the issues seriously enough and whether they have an accurate view of the problem – and are budgeting accurately for the risk and potential solutions.



KEY SKILLS FOR THE FUTURE

What are the key skills for the future?

This is the million-dollar question. A broader toolkit of management skills will be vital across most organisations as more leaders work with fully remote or hybrid teams and auditees.

The World Economic Forum³ (WEF) has identified ten skills that it believes will become crucial by 2025. It divides these into four categories: “problem-solving”, “self-management”, “working with people”, and “technology use and development”. Four of the five at the top of the list fall into the problem-solving category – “analytical thinking and innovation”, “complex problem solving”,

“critical thinking and analysis” and “creativity, originality and initiative”.

In the internal audit function, core auditing skills will not become redundant, but machines will take on more quantifying, data analysis and data-scanning roles traditionally performed by people. Internal auditors need to understand what the computers tell them, to sift the important from the unimportant and use their judgment to question, inform, educate and influence.

The skills mentioned by attendees at the roundtables and interviewees fell broadly into the WEF categories. They included (in no particular order):

- Curiosity.
- Imagination.
- “People who think and like to think.”
- “People who can spot what is missing, what is not there, as well as what is.”
- Courage and a willingness to challenge.
- Communication skills.
- Problem-solving.
- People who are proactive and can look ahead.
- The ability to understand not just how IT works, but also what it can do and could potentially do if used well – to imagine new ways IT could change audit processes and practice.
- The ability to motivate and bind together remote teams – to “make them laugh together”.
- People who enjoy talking to new people and collaborating.
- Listening.
- People who are excited by change.
- Intuition and empathy.

“Many of these skills are less about training and more to do with the kind of person you are,” David Bichler at Erste Group, points out. “Leaders need to ask what we can do to identify these people better than we have in the past.”

Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers



ROUNDTABLE QUESTIONS AND ANSWERS

Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

Q: Does your organisation have robust talent management and succession planning to identify, attract and retain staff?

“We have a talent review to identify the talent we need in our executive in future and explore mobility options for key strategic positions in the company. It’s not only good for identifying the people we see as important for the future of the organisation, but it is also a good way to ensure that people know we see a future for them in the organisation.

It’s usually for the executive committee and heads of business units and functions, but we have also specific initiatives for internal audit. The general problem can be to get management to see opportunities for senior people elsewhere in the organisation.

Some of them still think that if you are in internal audit, you should stay in internal audit or move to another organisation and I have great people who could make great managers in the business, so this is a wasted opportunity.”

Marta Luaces Calpe, head of audit of AXA Europe, Latin America and Africa

“Each of our 580,000 employees has an employee development review looking at their career development, skills training and progression opportunities.

We also have succession planning for about 10,000 senior managers. We look at who is most likely to leave and who should we move to another position. In the past few years, we have included more diversity considerations in this process.”

Frank Büchner, senior vice-president corporate audit, Deutsche Post DHL Group

“We’ve recently put in place new ways of learning, especially around IT and digital, we’ve strengthened some of our strategic goals in areas such as diversity and embedded these in the management process and training to sharpen our focus. We’re also looking at strategic HR planning, to ensure we measure progress and that we have the right talent in the right place at the right time.”

CAE in a European car manufacturer

“We should have 45 internal auditors, but there has been lots of turnover in the past year and we only have 35 at the moment, so we are struggling to retain skilled people.

There are various reasons for this, one of which is that we are a fairly new internal audit function and don’t have enough experienced senior auditors to offer sufficient mentoring for junior people and we are still developing our career plan. However, we were surprised and shocked to see this level of turnover.”

Pieter Mafranckx, internal audit IT, Audit Fédéral Belgium

“I would push for this to be on the board agenda. It can really make a difference discussing it with the board.”

Devan De Paolis, vice-president of internal audit at Aeroporti di Roma

Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

Q: How hard is it to attract and retain talent in your organisation?

“The barriers for changing jobs have fallen – now it’s all on video. You can apply to work anywhere and do a video interview in the evening after work. You can do far more interviews for more companies in more places than was ever possible in the past.”

Steve Ingham, CEO, Page Group

“There is so much demand for people with specific skills in, for example, data analytics, and the people just don’t exist, so it’s very hard to know what we can do.

There are serious risks in recruitment and retention, but also in the future of projects and of organisations if we don’t get these people in time. These skills are essential for our future.”

“HR is not often a high priority in the audit universe, but we need to get it across to management that if we’re not good at the people side we won’t be able to achieve our strategic goals and this will have a serious impact on our future.”

Prof. Dr. Marc Eulerich, CIA professor of internal audit at the University of Duisburg-Essen, Germany

“We are aware that people recruited during the pandemic will not have had the chance to develop the same levels of loyalty and these people are more likely to get up and go because they have little attachment. If we just recruit heads we have seen on a screen, we don’t really know them properly and this could be a problem.”

Marta Luaces Calpe, Head of Audit of AXA Europe, Latin America and Africa, based in Spain

“We are in the travel industry which was hit hard in the pandemic, so we are extra vulnerable to our key talents being poached. Because we’re working from home, another organisation can poach one of our managers and give them a 30-40% pay rise and all they have to do is switch laptops.

In our latest enterprise risk assessment, people risk came out as the top risk for our company. Every time we start a new project we do a review to check we have the right talent and resources in place, but we’re finding it increasingly hard to deal with this problem.”

Marco Rozenberg, vice-president and chief audit officer at Booking Holdings, Netherlands

Q: Can machines and AI help to solve the skills shortages in your organisation?

“We have a strong programme of digitalisation in our business with lots of automation, AI and data mining programmes. My concern is that we need to transform our profession to be able to audit this new world. We need to ensure the new processes and developments have a strong control environment and the challenge for us is how we get the knowledge, capabilities and advice we need. We have to hire some support from outside or develop innovative guest auditor programmes in our companies, and we also need to learn by working with the business teams as they change. Obviously, this is not easy, but if internal audit does not change with them and does not adapt to this new world we will not be able to provide our assurance delivery in a suitable way, and, consequently, in the long term, we are compromising our survival as auditors.”

Isabel Moreno Salas, head of audit, control and risk at global energy company Repsol, Spain

Introduction: Human capital, diversity and talent management

Stats

A shortage of people

Skills evolution

Transferable talents

Are you attractive enough?

Opportunities

Train, retrain and upskill

Digital revolution

What can internal audit do?

Questions for internal audit

Practical steps for internal audit

Key skills for the future

Roundtable questions and answers

Q: Does your organisation have an inclusive environment and how do you develop this?

“We need to look beyond traditional sources of audit talent. Why can’t someone with a different background who is not an accountant be a good auditor? We need to widen the pool.”

Patrick De Boom, senior internal auditor at the European Commission, based in Belgium

“This is a long-term issue. You can enact a diversity policy, but it’s not easy to see a real change in less than five or six years.”

Devan De Paolis, vice-president of internal audit at Aeroporti di Roma

We have carried out a successful culture audit in tandem with our department’s HR team. I think that cultural traits can be key enablers of equality, diversity and inclusion in any organisation. Perhaps some time in the future we might follow up with an EDI audit if management agrees and supports this.”

Dermot Byrne, head of the Internal and EU Audit Unit in the Department for Public Expenditure and Reform (DEPR) in Ireland

“Management diversity auditing is one area that internal audit can engage with. The information in these documents is key and valid for internal audit to examine.”

Dr. Geraldine Smith, national director for the Health Services Executive (HSE) in Ireland

“This year for the first time we have KPI for non-financial disclosures to investors, for example, in diversity and the number of women in leadership positions. We released a human rights policy statement for the first time this year. Every manager worldwide has been asked to abide by it and follow it in relation to diversity and this is worldwide.

The company sees it as very important to promote it and ensure the right signals go to our employees and to the wider market to show we take diversity very seriously. Internal audit will be using statistics on women in leadership and will audit how the group is following the statement so we can answer questions from the market about how we have followed it and where we have any problems.”

Frank Büchner, senior vice-president corporate audit, Deutsche Post DHL Group

“This year we did an audit of equity pay and fair promotion processes. HR has developed policies of inclusion and diversity including gender, disability, age, LGBTQ+, ethnicity, nationality, social and cultural origin, and mental health.”

Marta Luaces Calpe, head of audit of AXA Europe, Latin America and Africa

“Measuring diversity is problematic because people do not always publicise their sexual orientation or disability or mental health problems. That’s where inclusion becomes so important. This is why leaders have to be authentic. At the moment, only one leader in the FTSE 350 declares they have a disability. This can’t be true, but if they don’t admit it, people further down their company won’t either.”

Steve Ingham, CEO, Page Group

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<https://www.iaa.org.uk/media/1691900/risk-in-focus-2022>

