

## Leading through apprenticeships



Apprenticeships have transformed. Today they are career pathways for professionals, not just the vocational roles that many chief audit executives (CAE) may associate with. The UK Government's 2020 apprenticeship vision and associated business levy makes this a subject area that CAEs need to be aware of regardless of their current resourcing strategy.

This article takes a two-fold approach. Firstly, giving insight into the role that internal audit can play in ensuring their organisations are maximising benefits from government's apprenticeship scheme. And, secondly, by looking at how internal audit can provide assurance with the levy requirements.

---

## Why the noise about apprentices?

Over two million apprentices have started studies since 2015. And the government remains committed to the scheme despite falling short of its initial goal of three million by 2020. To encourage employers to commit to training, some of the costs are recoverable with the scheme funded by a levy which all organisations with an annual payroll cost over £3m are required to pay.

The Chartered IIA seized the opportunity to provide CAEs with a new option for developing talent and promoting the profession, launching **two apprenticeships in 2018**.

### Internal Audit Practitioner

- GCE A levels entry requirement

- 18-24 months
- IIA Certificate in Internal Audit and Business Risk
- Certified Internal Auditor (CIA) Part 1 – Essentials of Internal Auditing

#### Internal Audit Professional

- Employer set entry requirements, minimum GCE A level or L3 apprenticeship
- 36-48 months
- Certified Internal Auditor (CIA) Certification
- Qualification in Internal Audit Leadership (QIAL): specifically the case studies elements

Here is a quick summary of the scheme:

- Organisations with an annual payroll over £3m pay a levy of 0.5% from May 2017
- Levy paid monthly to HMRC via the PAYE process
- Contribution offset by £15k allowance
- Payments are accessible as funding via the [Digital Apprenticeship Service](#) for 24 months
- No exemptions, charities, education, public sector and local authorities must pay, assuming they meet the payroll cost criteria of £3m
- This is additional to existing levy schemes such as CITB in the construction industry
- Government adds 10% to funds
- Organisations that do not pay the levy are eligible to receive 90% apprenticeship funding

*The advice and links provided in this guidance are for organisations operating in England. As part of devolved authority, CAEs in Scotland, Wales and Northern Ireland should refer to local versions in case of variations.*

## The talent challenge

Increasingly complex business environments, organisational change and strong stakeholder demands mean that internal audit must rise to the challenge of acquiring and retaining talent with diverse skills. Imagine a candidate pool rich with digital proficiency, curiosity, enthusiasm, new perspectives and unbounded by the methodologies of previous internal audit departments...that is the potential of the apprenticeship scheme.

IIA Global produced an interesting [paper](#) on the skills of the 21<sup>st</sup> century auditor, including seven non-technical attributes. CAEs should challenge rather than experience and then develop the technical/professional competence.

What skills can school leavers bring to diversity, teamwork, continuous learning? How can internal audit harness transferable skills for those returning to the workplace after a career break or experts in different fields looking for a change?

There are a variety of reasons why higher education may not be an option for people. Good leaders recognise this and look beyond the traditional cv and qualifications.

## Leadership

Does your organisation have any apprentices today? Which functions make use of the funding? Modern

apprenticeships are breaking new ground across a wide variety of professions. CAEs can lead by example in demonstrating awareness of the subject matter, encouraging the organisation to use its levy and where possible taking on an internal audit apprentice to demonstrate the value of the scheme.

Apprenticeships extend the scope of recruitment which has the potential to enhance cultural diversity at a functional and organisational level.

Improvement and innovation is a core competency for internal auditors. CAEs can exploit the fresh-thinking of an apprentice to challenge ways of working and pioneer ways of auditing new technologies, social media and the digital landscape.

---

## Challenges

Internal audit has and as such the apprenticeship will face strong competition. CAEs should be prepared to defend the specialist nature of internal audit and the depth of competence that places it as a cornerstone of good governance essential for organisational success.

Whilst there are career internal auditors, there is also a sizable population for whom internal audit is a transient role, indeed some organisations use it as part of graduate training to develop commercial acumen or as a route into senior management. CAEs will need to be mindful of the positioning of internal audit within their own organisation.

The practitioner level apprentice is required to complete part one of the CIA. It is likely that both the apprentice and CAE would want to progress this qualification i.e. L4 to completion. Securing sufficient additional budget to enable this would be prudent.

Constructive feedback during the consultation demonstrated a commitment to strive for a higher level of skill and depth of understanding. The apprenticeship levels (4 and 7) need to fit into the overall scheme framework and this was a collaborative effort. CAEs should use their judgement and work with their apprentice to discuss the appropriateness of expanding their learning experience beyond the required syllabus to meet the particular needs of the organisation or the individual themselves.

---

## Creating the pitch

Whilst there is no limit to what organisations invest in apprenticeships, interns and other development schemes, there will be limited funds available through the levy scheme.

£5m pay bill x 0.5% levy = £ 25,000

Less £15k allowance = £10,000

Payment + 10% gvmt top up

Fund value = £11,000

CAEs are likely to find themselves pitching for funding against colleagues from finance, marketing, IT, sales, design, warehousing etc. such is the depth of apprenticeships offer. So,

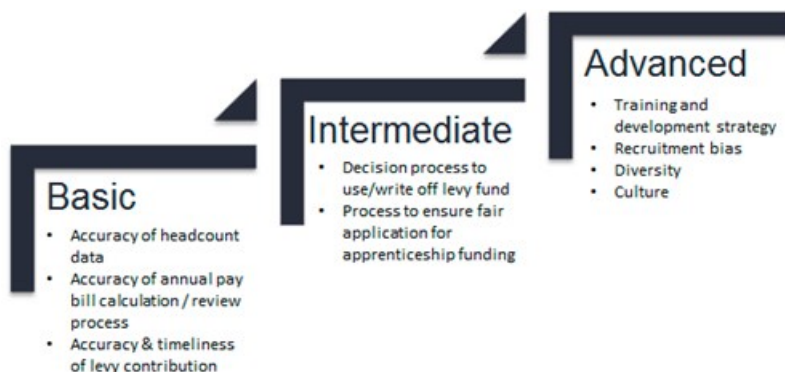
- **Use a tried and tested audit technique:** For example: The five whys. Why will an internal audit apprentice be the best option for your organisation?

- **Brainstorm potential counter-arguments:** From other functions, plan responses, use them to avert negative reactions.
- **Be ready with solutions to the tough questions:**
  - Could this negatively impact the culture? Yes, in the same way as any change that isn't managed, I plan to.....
  - What will the real cost be? It will be classed as a headcount with salary and on costs but I think we can.....
  - Will it be distracting? No, I have planned a rotating buddy team to lessen the impact and broaden learning opportunities for everyone.
  - How will it affect colleagues on other development paths? As an organisation we can promote the value of using a variety of paths, all development is about the outcome not the approach, everyone will be treated fairly.
  - How productive can they really be? There will be a productivity curve and I plan to utilise them in support roles for the experienced team members to begin with which in turn will enhance their productivity and managerial skills.
  - Can quality be assured? Yes, I have a robust quality assurance programme, it's an important part of our professional practice
- **Everyone loves a one-pager, so keep it concise:** Define the opportunity, facts/evidence, proposal, action plan, and benefits/outcome
- **Sound it out with other CAEs:** Share thoughts, experiences, learnings, perhaps something to raise at an Audit Leaders event?

## Assurance considerations

CAEs might want to consider and update their audit universe with 'apprenticeships' and consider its inclusion on the audit plan, as with any new risk, business requirement or process. Assurance must be proportionate to the risk for the organisation, activity at the first and second line, plus the maturity of learning and development.

There are a number of assurance activities that internal audit can undertake as isolated engagements or combined in a broader, value add scope. At a basic level CAEs must be attentive to pay bill data and the risk profile of apprenticeships for the organisation.



---

## Closing thoughts

Apprenticeships are a long-term government commitment and, as business leaders, CAEs should support their organisations to realise the benefits of upskilling employees and recruiting from previously unexploited talent pools. The apprenticeship levy can be perceived as an additional burden on organisations, a stealth tax or a means of reducing unemployment, but from an internal audit perspective it presents a real opportunity to recruit from the talent universe pool.

*"Hire character, train skill"*

- Peter Schultz, former CEO of Porsche