

Workforce planning: The internal audit function of 2025

Workforce planning is arguably more important than ever before. Internal audit is going through unprecedented change due to factors such as rapid advances in digital technologies, significant generational shifts in the labour market and constantly evolving skills requirements. CAEs must therefore be ready to embrace change and create a plan now, if they are to be fully prepared for the workforce of the future.

Why plan for the future?

Quite simply, workforce planning enables internal audit to prepare for its future staffing needs so that it can meet its long-term objectives. It allows CAEs to bridge the gap between today's and tomorrow's working environment through assessing current skills needs and forecasting future workforce requirements to identify what kind of talent is needed to ensure the function's ongoing success.

The talent requirement should be linked to internal audit's strategic plan, i.e. the talent requirement needs to look three to five years ahead. The knowledge and skills required will be linked to the internal audit plan so as to provide the internal audit function with the resources necessary to deliver the assurance sought by the board and audit committee.

By gaining a clearer understanding of both their existing and future workforce, internal audit departments can better compete in the war for talent, embrace technological change, anticipate potential skills shortages, identify risk before it impacts on business strategies, and ensure the function is moving in the right direction.

The internal audit function of 2025

Nobody can predict exactly what the internal audit function will look like five to ten years from now, however an important point to remember is that the future of work is emerging right now, with shifting demographics, changing workforce models and technological innovation already shaping the future workforce.

At an organisational level, this means companies need to be thinking long-term about how this might impact their peoples needs and how they can attract and retain the right talent with the right skills, as well as create new roles, to address these changes to the work environment.

In an internal audit context, there will likely be a demand for better data analytics knowledge, as well as soft skills, by 2025. Internal audit may also be required to sit at the top table and provide advice and assurance in relation to strategic risks, so enhanced business acumen and an increased knowledge or appreciation of strategic risk will be needed.

Technological innovation

Technology is radically changing the way we work and impacting almost every business in every sector, including internal audit. Real-time tools, cloud platforms and other advancements are already disrupting the workplace, but the increasing prevalence of automation, robotics and artificial intelligence (AI) will fundamentally transform it, with experts predicting that AI and robots will have a greater impact on the workplace than the internet and will replace many human workers over the next few decades.

In fact, a [2017 report by McKinsey & Company](#) estimates that between 400 million and 800 million individuals around the world could be displaced by automation and will need to find new jobs by 2030. Meanwhile, three quarters of respondents in a [2015 report by the World Economic Forum](#) believe that AI will perform 30% of corporate audits by 2025, and a recent [PwC global survey](#) of over 10,000 respondents revealed that 37% are worried that automation will put their job at risk.

Yet very few occupations can be fully automated, and while there is a chance some internal audit roles may disappear due to the power of AI to replicate human intelligence, it's more than likely there will always be a need for human auditors. The PwC global survey found that 73% believe technology can never replace the human mind; and a recent [LinkedIn article](#) on the future of internal audit points out that AI is just a tool, it cannot replace internal auditors, and is only useful when "humans understand how to use it to improve business processes".

AI software can perform many of the repetitive, routine and manual internal audit tasks, enabling them to be carried out more efficiently and accurately, while providing greater insight into the audit process. Internal audit could use AI to undertake tasks such as continuous auditing, as well as the more detailed audits in areas such as accounts payable and payroll, where there is a requirement to ensure that transactions have been checked and where sample sizes will be significant.

For internal auditors to work successfully with AI in the future, different skills may be required, such as data strategy and data mining. Auditing teams may consist of data scientists and computer engineers, who can work alongside AI and translate the data and present it effectively. Also, soft skills such as critical thinking, judgment, problem solving and scepticism will become even more crucial.

Shifting demographics

The CIPD believes that demographic change will have a "profound effect on the UK labour market over the next two decades and beyond".

Growing numbers of tech-savvy millennials – and the even younger [Generation Z](#) – are entering the workforce. According to the [Deloitte Millennial Survey 2014](#), millennials will make up 75% of the global workforce by 2025, meaning they will play a significant role in shaping the future workplace.

The younger generations bring with them different expectations, demands and values than their older counterparts. They are digital natives and can be less loyal. They look for organisations that are collaborative, innovative and have a strong sense of purpose. They want flexibility and a great work-life balance. As a result, this is forcing internal audit to review not only their recruitment and retention strategies, but their approach to innovation, culture and leadership, to ensure they are prepared.

At the same time, an ageing workforce is presenting challenges too. Official statistics show there are

currently over 10 million people aged over 50 in employment in the UK. This is the equivalent of 31% of the UK workforce, and is up from 21% in the early 1990s. Yet as these baby boomers continue to retire, organisations face a growing talent gap, with the CIPD warning there are unlikely to be enough younger people entering the labour market to replace this group when they leave, taking their skills and experience with them.

Internal audit therefore needs to strive to bridge the generational gap so that they can take advantage of the diversity of the workplace now and ensure their workforce is fit for the future. This means implementing strategies to harness the knowledge and experience of the baby boomers, to minimise the impact of their ongoing retirement, as well as reviewing talent strategies to support the influx of younger workers, to ensure they are offered flexible working arrangements with diverse career opportunities.

New workforce models

For many decades, workforces consisted of permanent, salaried employees, yet this staffing model is gradually becoming obsolete. The increasingly mobile, digitally-connected working environment, combined with a growing interest in more flexible, remote working options, has led to a significant rise in the number of contingent workers, including contractors, freelancers, and consultants.

In a [Forbes article on the future of work](#), the author notes that staffing no longer means hiring employees. “It means finding the right mix of skills and matching them to business demands by tapping into an increasingly global, virtual, and contingent labour force. Companies will be forced to redefine workforce planning, recruiting, staffing, and management to work in this much more complex labour market”.

Recent data from the Association of Independent Professionals and the Self Employed shows there are currently 4.8 million self-employed people in the UK, of which 2 million are highly-skilled freelancers. According to [the CIPD](#), the increase in self-employment between March 2008 and March 2017 accounted for almost a third of total employment growth.

Organisations are now turning to the contingent workforce to plug skills gaps, meet changing business needs, and become more agile and flexible. A report in the last quarter of 2017, by [Randstad Sourceright](#), revealed that 61% of employers plan to replace up to 30% of their permanent positions with freelancers, gig workers and independent contractors in the next year. Plus, [Accenture](#) estimates that, in three years, 44% of the workforce will comprise contractors and temporary internal positions, known as the liquid workforce, with 79% assigned to dynamic projects, rather than traditional, static job functions.

CAEs frequently face challenges with regard to capacity and resourcing. The majority of internal audit functions are relatively small and it can often be difficult to find the right skills needed to deliver the assurance sought by the Board and Audit Committee.

The internal audit function of the future could therefore see fewer full-time employees and an increase in CAEs hiring on a project basis. In addition, many will either outsource the entire function or merge. The merging of internal audit functions to cover several businesses is already prevalent in both the NHS and local government, and this may spread to other sectors in the coming years.

How to get ready for the future

To prepare for the future workforce, CAEs need to understand it – so take the time now to clearly recognise and appreciate the function's talent needs and make adjustments today to prepare for tomorrow. Start by assessing current and future skills gaps, ensuring recruitment and retention policies support future goals, and considering how workforce changes will impact on culture.

Use technology, such as data analytics tools, to help gain valuable insight into the workforce that can be used to prepare for future talent requirements. Invest in learning and development, to ensure the function can respond to constantly changing skills needs. Develop talent strategies for both younger and older workers to bridge the generational gap.

Ultimately, internal audit must embrace the opportunities that technological disruption, generational shifts and changing staffing models can bring, rather than viewing them as a threat, if it is to remain relevant, innovative and competitive both now and in the future.