



Internal audit – beyond equity



Depending on what you read, there are a myriad of priorities for audit leaders to enhance and protect organisational value but a finite amount of resource. Even the most robust control environment and risk mature organisation will struggle without good people. An inclusive culture is important in attracting talented, innovative and engaged people. Is it part of your audit ambitions?

We explore the dynamics of diversity and inclusion for today's workforce and look at the role internal auditors can play as enablers of change.

[Click here](#) for our special "authenticity in the workplace" interview with experienced Internal Auditor Paul Skinnider.

[Click here](#) for our exclusive diversity, equity and inclusion (DEI) conversation with Group Head of Audit, Carolyn Clarke.

The language we use

As auditors, we know the importance of the words we chose to use: being clear on their meaning is essential, particularly when some are seemingly interchanged without rationale.

Can you define equality, diversity, inclusion and equity?

Take a moment to think about it before continuing...

It is easy to lose sight of the basics when the risks around us are fast moving and complex.

With so much pressure on priorities, understanding these concepts is essential to ensure strategic and operational clarity.

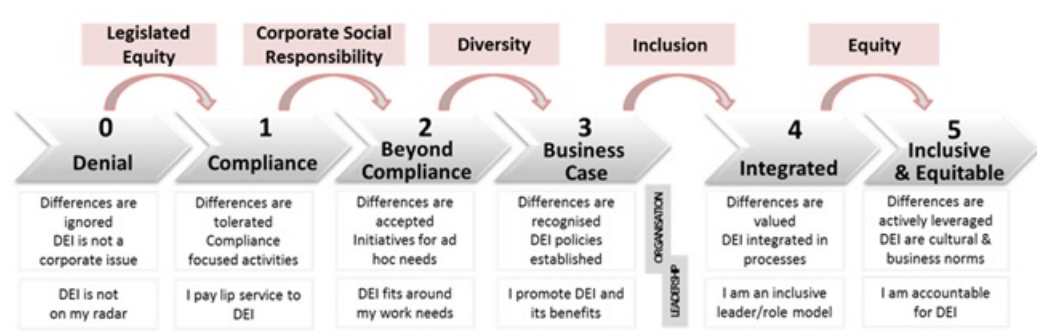
- **Equality** – ensuring everyone has the same opportunity to make the most of themselves
- **Diversity** – recognising everyone in the organisation as an individual, embracing the collective differences and similarities that people bring to the workplace
- **Inclusion** – achieving a working environment where everyone is treated fairly and respectfully
- **Equity** – giving people what they need in order to make things fair

All of these concepts are connected as part of a **continuum**. Organisations can be diverse without being inclusive but it is not possible to have equity without inclusion.

Where is your organisation?

Where are you as a leader?

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Adapted from: Wilson, T. Diversity at Work: The Business Case for Equity

Moving along the continuum to achieve an inclusive culture is likely to be a major challenge for most organisations.

As the board's trusted advisor, what role are you playing?

What type of leadership are you demonstrating?

Beyond words

Equality has long been recognised as a prerequisite in the workplace, although diversity, equity and inclusion or simply DEI as it's often known is what grabs media attention today.

DEI is not about legislation or targets and quotas.

It is about culture and values.

Legislation, such as the Equality Act 2010, is a useful compliance tool but it is not the solution for internal auditors to use. The UK government's report **statistics** showed that in 2019 the diversity gap had significantly improved for young women working full-time. Although for 'business, finance and related associate professionals', women earned 17.4% less than men. But what does that really mean? It fails to address balance and appropriateness.

Internal auditors need to be mindful of balance. There are a finite number of roles in an organisation, compounded by the pyramid effect as seniority increases. Internal auditors should not lose sight of equality issues that may linger when organisational focus shifts towards DEI.

In 2017, there was uproar when Tesco's chairman, John Allen, told delegates at a conference how white males would be an endangered species in the boardroom. The statement was true. Wherever we look there are groups championing their cause, striving for equality, whether that is disability, BAME, LGBTQ+ or women.

The fact remains however that without progressing along the continuum towards inclusion and genuine equity there is the potential for unintended consequences; positive discrimination for one may lead to discrimination of another.

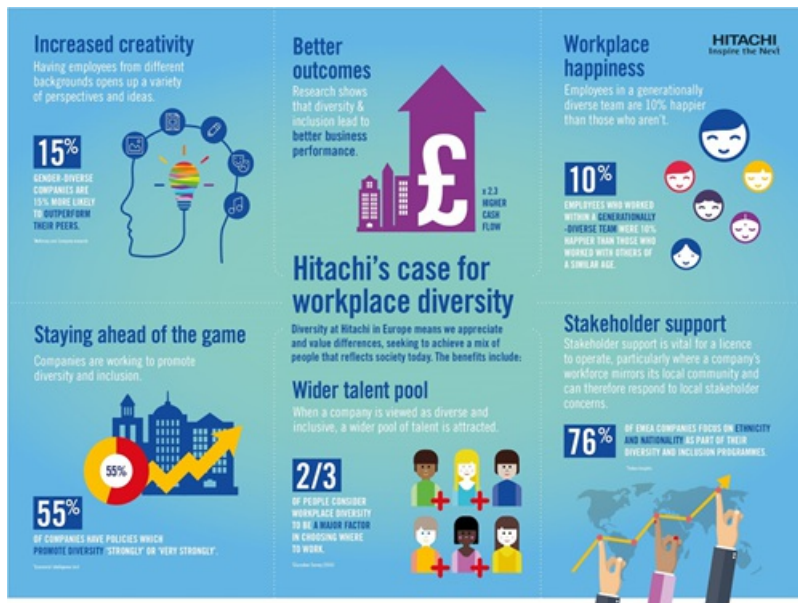
A 2019 progress **report** on the 2011 Davies Review **recommendations** to address the gender imbalance on the boards of FTSE 350 companies notes that while actual numbers have increased significantly, diversity remains an issue with BAME women representing only 11% of women on FTSE 100 boards.

Doyin Atewologun, Director of the Gender, Leadership and Inclusion Centre at Cranfield University said that "although it is positive to see more women on boards, we need to be sure that we are not only advancing progress for a certain group of women, but are truly pushing board diversity in every sense."

Do we know what good looks like?

An inclusive organisation is one where corporate confidence is high. It strives to manage its reputation and leverage advantage. It not only attracts talent in a competitive environment but retains talent through engagement which in turn leads to discretionary effort, productivity and organisational success. A graphic of the Hitachi business case for diversity is included below and compelling arguments.

***Click thumbnail to enlarge**



Is it that simple? The theory suggests it is.

A 2019 CIPD [report](#) identified three key aspects to inclusion:

- feeling valued for uniqueness and recognising differences
- the ability to be authentic, to be accepted for being oneself
- belonging to a team or organisation without needing to conform to group norms

The survey highlighted the importance of focusing on equity and inclusion within the organisations culture not simply on diversity as this could have unintended consequences by thrusting individuals into what could be a personally damaging environment; being given the cold shoulder, hearing inappropriate banter, being passed over for promotion or simply feeling like the token individual that ticked a box.

Organisations with more than 50 employees are required to report their gender pay gap. Capturing this data is commonplace but auditors should look beyond this to broader equality not just gender. Typical data metrics that inclusive organisations capture include:

- basic and emerging diversity demographics
- industry and competitor diversity data for comparison purposes
- recruiting and promotion outcomes
- employee retention
- compensation analysis
- corporate culture analysis.

What DEI metrics does your organisation use?

In terms of accountability, DEI is part of the culture of the organisation – starting with the board.

DEI is a leadership issue at both macro and micro levels; within industries, organisations, departments and teams. It leads to greater engagement and innovation by bringing different lenses to decision making. It is as much about mind-set and avoiding group think as it is age, race or gender.

Do your board members demonstrate DEI leadership?

In addition to fair policies and practices, inclusive organisations give employees agency in decision-making and networking. Agency (ability to act independently and have free choice) contributes to engagement by valuing the process of asking and listening, giving employees mechanisms for making contributions, offering proposals, listening to feedback or time to network. It is not about finding consensus or delegating authority of decision-making.

For example, in the UK national holidays are predominantly based around the Christian faith but does that mean an organisation cannot be flexible with its workforce? Where there is business capacity to do so, organisations could allow employees agency with the right to defer national days to suit their own religious festivals.

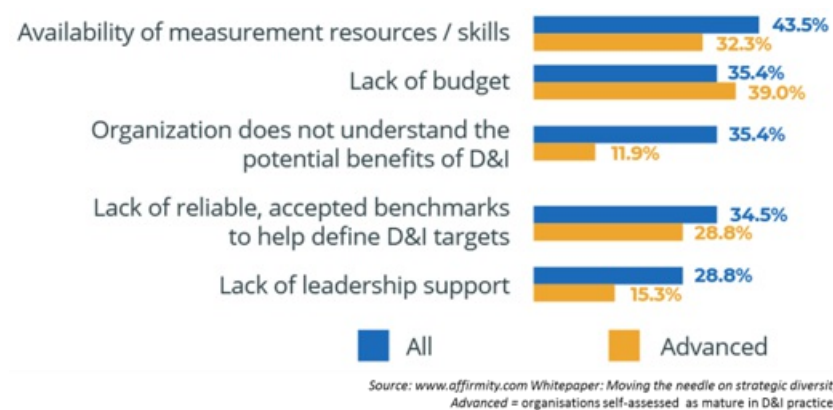
DEI is about respecting individuality, allowing employees to be themselves not classifying everyone into groups and networks according to race, gender or sexuality.

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Barriers in the workplace

An extensive 2019 global **survey** of human resource professionals by Affirmity identified the main organisational barriers to achieving diversity and inclusion goals.

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As with any cultural change, tone from the top is important yet business cases detailing benefits, introducing measures and reporting on data can be bottom-up catalysts for board action.

Imagine the following scenario - an auditor visits a number of their organisation's sites, it was observed that all warehouses had a prayer room although the auditor knows there isn't one at the head office. Do they raise the finding even though their audit is about stock management? Is it that the organisation only acts when required to do so? Or could there be underlying biases in the recruitment process within the office environment. Culturally this is a significant observation. How would you respond?

Is this something that you would raise as an issue?

How might such a conversation play out within your organisation?

Who are the leaders that champion DEI?

Internal audit has an important role in enabling change by highlighting DEI barriers within existing practices and ways of working.

Processes and systems are designed by people:

- with unconscious biases (discriminations)
- using potentially corrupt or skewed management information
- taking cues from the existing organisational culture and working environment.

It is common practice as auditors to make efficiency and effectiveness assessments but does the latter extend to DEI? Could looking for barriers be part of your methodology going forward?

For example:

- personal protection equipment designs have been largely based on average male measurements (eg dust masks, harnesses, bullet proof vests) and also car safety features. Why? If you were auditing in this space would you have identified this as a design control issue, a safety issue, both or neither?
- could revising weight limits for lifting or installing technology aids introduce greater diversity in warehouse or logistics environments?
- charity trustees are often retired or self-employed, if board meetings were in the evening could a more diverse membership be encouraged?

- agile projects with their popular early mornings huddles may not be inclusive models for people working flexible hours
- do job application forms/adverts place emphasis on education and previous roles or on desired skills and aptitude to encourage applicants from diverse backgrounds
- installing an automatic door is useful for someone in a wheelchair but does not mean the workplace is inclusive or equitable

Internal auditors are encouraged to perform root cause analysis, to look beyond the obvious and get to the heart of an issue.

How have your audits helped to break down barriers?

Is there an opportunity to call out more on DEI?

Are your internal auditors encouraged to challenge the status quo?

Often it is only when someone points to the elephant in the room that everyone else acknowledges they have already seen it!

[Click here](#) for our exclusive diversity, equity and inclusion (DEI) conversation with Group Head of Audit, Carolyn Clarke.

Closing thoughts

During the course of audit engagements, internal auditors can be alert to and raise awareness of barriers that prevent diversity and inclusion. Continuing to move beyond the basics of legislative compliance enables audit leaders to improve understanding, encourage discussion and ensure root causes of discrimination and inequalities are being addressed. Achieving targets does not make for a diverse and inclusive workplace – having a diverse and inclusive workplace will however contribute to achieving targets and organisational success.

"Diversity is being invited to the party; inclusion is being asked to dance."

Verna Myers, Inclusion Strategist

Further reading

[Business case for diversity in the workplace](#), World Economic Forum