

Internal audit evolution: Opening the mind



Cost challenges in this and future budget years may restrict co-sourcing and outsourced budgets, increasing the need to upweight skills for in-house teams. If this is your reality, how are you managing it? What are your plans for the immediate future? Is your mind open or closed to diverse possibilities and new beginnings?

Without prejudice, this article asks if the challenges that organisations may face post-pandemic could be the springboard for the next evolution of internal audit. Now is the time to begin opening our minds to new beginnings and new possibilities, whatever they may look like.

What the future may look like for the profession is top of the agenda for the Chartered Institute. A major project is in progress recognising the scale of the challenge. This article is independently written and does not seek to pre-empt the findings of the project in any way.

As a profession, are we at risk of being disrupted by external factors or is this an opportunity to be proactive disruptors, ensuring positive change for internal auditors including CAEs?

Visualisation can help unlock our minds. Imagine for a moment being in a hypothetical brainstorm session where one of the off-the-wall ideas for internal audit is raised and what it might look like - a hybrid of the gig economy and freelancing.

Understanding the foundations

Latest **research** by the Department of Business and Innovation found that in 2018 almost 3million people

were part of the gig economy: 'the exchange of labour for money between individuals or companies via digital platforms that actively facilitate matching between providers and customers, on a short-term and payment by task basis.'

According to **IPSE**, a not-for-profit association for the self-employed, there were 2.2 million freelancers in 2020. Freelance is a sub-set of the self-employed comprising the top three highest skills categories, including over half a million managers, directors and senior officers.

Could internal auditors join these statistics in future?

Imagine for a moment a future where only the CAE is employed by an organisation and all internal auditors are part of a huge freelance talent pool. A progression way from today's definition of co-sourcing/outsourcing to one that affords internal auditors' control and flexibility. Perhaps due diligence of such a 'pool' would need to be overseen by professional bodies to maintain standards and CPE. Freelancers might need indemnity insurance to give comfort to a CAE. Maybe such a model would be cost-prohibitive. Perhaps it would be unsustainable in terms of development for the next generation.

For now, open your mind and explore the possibility. Sometimes an idea that appears out of left-field can be the spark to ignite your imagination and solve a problem that you didn't even know you had!

Post-pandemic challenges

Coronavirus has plunged many economies around the globe into recession, including the UK and Ireland. To protect organisations in many sectors, the UK government has absorbed significant national debt; 2021 saw the first signs of increased taxation eg corporation tax, which will likely take a variety of forms in the years to come.

Organisations in all sectors face cost-challenges. The potential for restructuring, relocating and refocusing is high. It is not just the tech giants, Microsoft, Facebook and Google telling staff they can permanently work from home. Nationwide has given staff the same choice, HSBC plan to halve international office space and Santander is closing London offices to take advantage of a new site under construction in Milton Keynes.

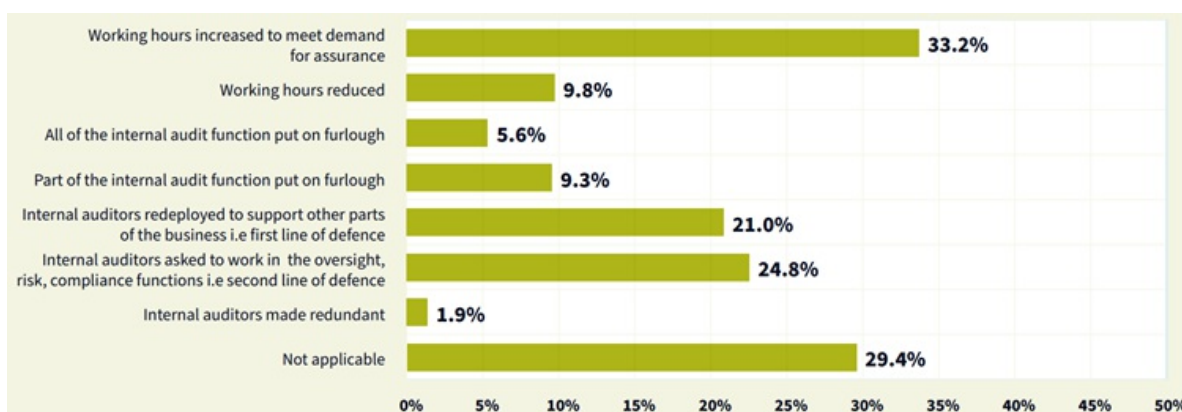
Individually, there are also wide-reaching challenges, not least job security and either retaining or regaining preferred working environments; recognising that working from home doesn't suit everyone.

What might the typical working week look like in 2030?

Will the five-day commute be part of history?

How do the managers of tomorrow want to work today?

Research by the Chartered IIA in 2020 after the first lockdown found that internal audit functions had been impacted in the following ways.



Disruption in our profession

In addition to the risk of CAEs being asked to do more with less. There are other less transient issues.

Internal auditors, as with other professions, adapted working practices to operate remotely during the pandemic. Normal has shifted such that the baseline has changed - as working environments are likely to continue to evolve and, in some cases, build on existing flexibilities.

What impact might this have on recruitment and retention?

If an internal auditor works remotely, does it matter where in the world the remote location is?

Could freelance working fulfil a need for workplace flexibility for internal auditors or will everyone still fundamentally cling to the security of an employee/employer relationship?

Another major disruptor is likely to be the governance framework within which internal audit operates. In March 2021 the Department of Business, Energy and Industrial Strategy (BEIS) published its consultation [White Paper: Restoring trust in Audit and Corporate Governance](#) setting out the government's plans to address the recommendations from the three major reviews of recent years:

- **Sir John Kingman** | [Independent Review of the Financial Reporting Council](#) | 18 December 2018
- **Competition and Markets Authority** | [Statutory audit market services study](#) | 18 April 2019
- **Sir Donald Brydon** | [The quality and effectiveness of audit: independent review](#) | 18 December 2019

What could the BEIS consultation and subsequent legislation mean for the future of the profession?

The consultation references 'strengthening internal audit over the next three years.'

What might this mean for your internal audit function?

Opening our minds to new possibilities

Fractured Futures headlines the [2021 Global Risk Report](#) produced by the World Economic Forum. While it talks about disparity, poverty, social unrest and the fallout of the pandemic, it also refers to the digital inequality, unemployment, gender issues, climate inaction and other issues that we can all, as individuals and professionals, relate to.

Could our fractured future as internal audit professionals be a threat or an opportunity?

From a regulated profession to being made obsolete the possibilities are vast.

Think again about the definition of the gig economy that you skimmed over earlier.

the exchange of labour for money between individuals (internal auditors) or companies (firms) via digital platforms (an agency/website) that actively facilitate matching between providers and customers, on a short-term (assurance assignment) and payment by task (day rate) basis

The firms do this already, providing short-term labour, specialist skills or general resource, to perform specific assignments – it's the co-sourcing model many of you use.

Imagine the conversation in the hypothetical brainstorm session we mentioned earlier.

As many organisations face budget uncertainty and headcount challenges, could a pool of talented individuals be the answer? Rather than or in addition to formal partnerships with a firm or a couple of firms.

In accordance with the **Codes of Practice**, this gig economy for internal auditors would still require a CAE to be employed by an organisation to oversee activities and ensure they have sufficient and timely access to key management information and decisions.

Fiverr is a popular website that is a portal for graphic designers, writers, marketeers, and other skilled individuals. They offer their services, pitch for work and accept assignments based on their workload – they are in command of their time and value.

Imagine a website like Fiverr for internal auditing. A direct portal connecting freelance internal auditors with CAEs without going via recruitment agencies or firms to access available short-term talent. Obviously not a popular proposition for everyone!

In such a future, as CAE you could have an almost infinite selection of skills and experience rather than a fixed team. Perhaps freelance internal auditors would flex their day rates depending on the nature of the work and sector, for example offering pro-bono from time to time for not-for-profit organisations? Likewise, CAEs could be more dynamic in allocating resource costs to their internal audit plan rather than being constrained by the costs of FTEs.

Radical? Contentious? Idealistic? Impractical?

Maybe but it starts to open the mind to other possibilities.

Depending on the size and nature of the organisation it also leads to the question as to whether a CAE needs to be full time? Could a CAE have a portfolio of organisations? This is not a new concept, it already happens in some sectors eg, public sector, NHS.

This could be advantageous for individuals and organisations - sharing good practices across organisations and sectors, extending risk awareness and diverse networks. This already happens with the diverse, portfolio nature of your audit committee chair and members. Why not the CAE too?

One potential barrier to a gig economy for internal audit could be that it is more suited to experienced internal auditors than new entrants. How would apprentices learn without a team to join? Who would ensure that internal auditors were competent and updating their skills? Perhaps there are solutions? Perhaps it would be a showstopper?

There are many questions.

Does a way of working have to be broken to change it?

Is the risk of disruption great enough to take the risk of being a disruptor?

Do you have your own thoughts for the future of the profession?

Closing thoughts

The future of the profession will be defined and decided by you, your peers, the rising stars within your teams, together with governance leaders, including regulators, government and professional bodies.

Collectively CAEs need to consider the threats and opportunities facing the profession, to help shape the future... Is it not internal audits independent assurance that is the cornerstone of corporate governance and should be at the heart of the solution to restore trust?

Change isn't just happening around you as a CAE. It is happening to you and to the internal audit profession. What do you want/hope your future will look like and that of the profession?

"The best way to predict the future is to create it."

Peter Drucker, management guru