

# GREAT Ways to Motivate Your Staff

MANAGEMENT



Core Report

Shaping an Audit Team that Adds Value and Inspires Business Improvement

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**CBOK**

The Global Internal Audit  
Common Body of Knowledge

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# About CBOK

## SURVEY FACTS

Respondents	14,518*
Countries	166*
Languages	23*

## EMPLOYEE LEVELS

Chief audit executive (CAE)	26%
Director	13%
Manager	17%
Staff	44%

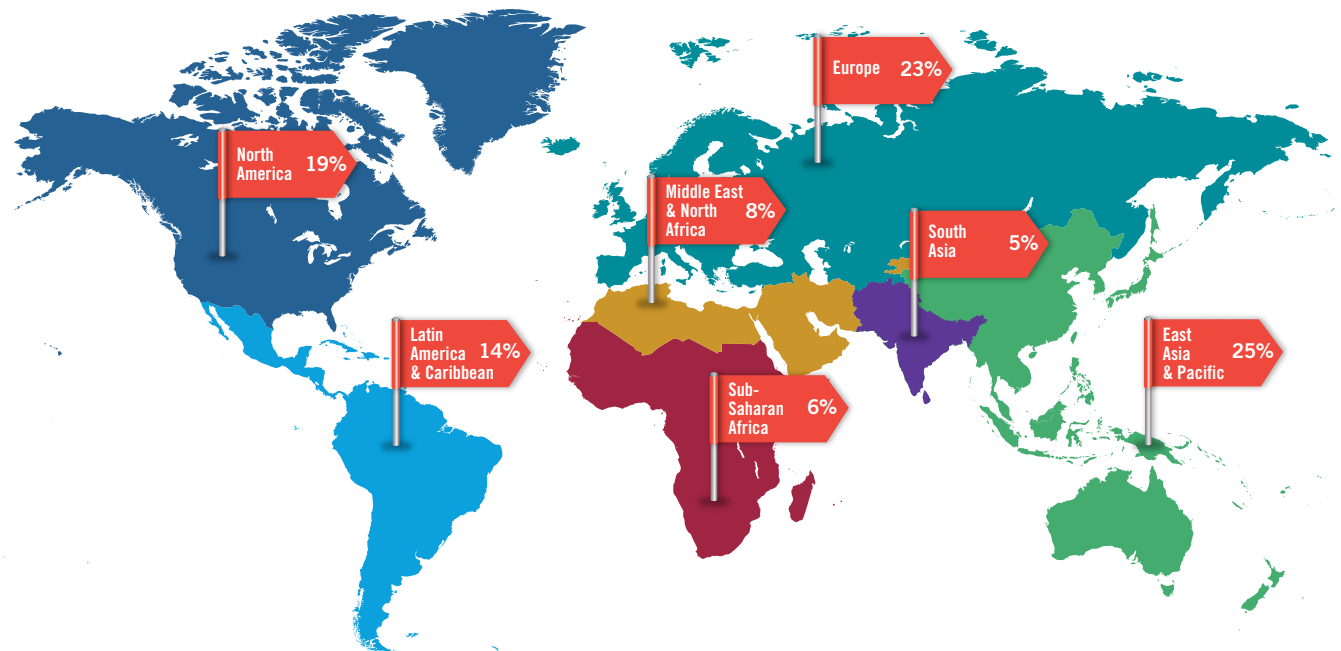
\*Response rates vary per question.

The Global Internal Audit Common Body of Knowledge (CBOK) is the world's largest ongoing study of the internal audit profession, including studies of internal audit practitioners and their stakeholders. One of the key components of CBOK 2015 is the global practitioner survey, which provides a comprehensive look at the activities and characteristics of internal auditors worldwide. This project builds on two previous global surveys of internal audit practitioners conducted by The IIA Research Foundation in 2006 (9,366 responses) and 2010 (13,582 responses).

Reports will be released on a monthly basis through July 2016 and can be downloaded free of charge thanks to the generous contributions and support from individuals, professional organizations, IIA chapters, and IIA institutes. More than 25 reports are planned in three formats: 1) core reports, which discuss broad topics, 2) closer looks, which dive deeper into key issues, and 3) fast facts, which focus on a specific region or idea. These reports will explore different aspects of eight knowledge tracks, including technology, risk, talent, and others.

Visit the CBOK Resource Exchange at [www.theiia.org/goto/CBOK](http://www.theiia.org/goto/CBOK) to download the latest reports as they become available.

## CBOK 2015 Practitioner Survey: Participation from Global Regions



Note: Global regions are based on World Bank categories. For Europe, fewer than 1% of respondents were from Central Asia. Survey responses were collected from February 2, 2015, to April 1, 2015. The online survey link was distributed via institute email lists, IIA websites, newsletters, and social media. Partially completed surveys were included in analysis as long as the demographic questions were fully completed. In CBOK 2015 reports, specific questions are referenced as Q1, Q2, and so on. A complete list of survey questions can be downloaded from the CBOK Resource Exchange.

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# Executive Summary

The most effective chief audit executives (CAEs) position their internal audit departments to add value and inspire business improvement by maximizing the productivity and contribution of their internal audit cohort.

But how do they: Set goals that inspire auditors to deliver insights that matter? Boost productivity with appropriate rewards? Address differences between generations?

This report provides GREAT insights on how CAEs and other audit leaders can improve their practices for evaluating and motivating internal auditors.

You will learn strategies for:

- **Goal Setting:** Align personal goals of internal auditors to internal audit department goals and the organization's strategies.
- **Retaining Talent:** Retain talent amidst changing needs of internal audit and the business.
- **Equipping Employees:** Build capability and capacity for internal audit overall and individually.
- **Assessing Performance:** Evaluate internal auditors against overall internal audit department performance.
- **Treating Success:** Provide incentives and recognition to motivate internal auditors.

Plus, you will also learn the implications of generational differences among Baby Boomers, Generation X, and Millennials in the internal audit workforce.

Finally, insights are shared from the CBOK 2015 Global Internal Audit Practitioner Survey, the largest ongoing study of internal auditors in the world.

# Introduction

This report provides broad insights on how CAEs and other internal audit leaders evaluate and motivate their employees, and how these processes can be improved and are expected to change during the coming years.

Leading CAEs recognize that:

- They need to shape a motivated and highly productive internal audit workforce that delivers value to the business.
- Stakeholder expectations for internal audit will continue to evolve.
- The motivation of internal auditors can be influenced by a wide range of factors, including life satisfaction across the course of one's life, generational differences, and unique gender needs.

## Objectives and Benefits

*GREAT Ways to Motivate Your Staff* provides five strategies for integrated performance management that are tailored specifically for the internal audit profession. **Exhibit 1** describes each strategy, its objective, and its benefit.

## 10 Action Items

Every strategy needs action to go with it, so this report includes 10 action items for you to implement (see **exhibit 2**). The concepts are scalable and can be consolidated into simpler plans and programs for smaller internal audit departments. In addition, look for opportunities to take advantage of established organization-wide programs that can be aligned with your motivational strategies.

**Exhibit 1 GREAT Ways to Motivate Your Staff: Objectives and Benefits**

Strategy	Objective	Benefit
Goal setting	Align personal goals of internal auditors to internal audit department goals and the organization's strategies.	Help the organization meet its objectives.
Retaining talent	Identify talent amidst changing needs of internal audit and the business.	Build an effective internal audit team.
Equipping employees	Build capability and capacity for internal audit overall and individually.	Deliver value.
Assessing performance	Evaluate internal auditors against overall internal audit department performance.	Drive optimal contribution by the internal audit department.
Treating success	Provide incentives and recognition to motivate internal auditors.	Boost internal audit productivity.

Source: Author's creation.

## Exhibit 2 GREAT Ways to Motivate Your Staff: 10 Action Items

Strategy	Action Items
Goal setting	<ol style="list-style-type: none"><li>1. Undertake formal analysis of the organization's strategy.</li><li>2. Align internal auditors' personal goals with the organization's strategy.</li></ol>
Retaining talent	<ol style="list-style-type: none"><li>3. Establish a talent management strategy.</li><li>4. Adapt motivation strategies to the different generations.</li></ol>
Equipping employees	<ol style="list-style-type: none"><li>5. Establish a comprehensive workforce plan.</li><li>6. Develop and implement a professional development plan.</li></ol>
Assessing performance	<ol style="list-style-type: none"><li>7. Adopt balanced scorecard reporting (or a similar dashboard).</li><li>8. Implement a constant feedback and learning loop for internal audit.</li></ol>
Treating success	<ol style="list-style-type: none"><li>9. Establish a rewards system that extends beyond compensation.</li><li>10. Develop an employee engagement model.</li></ol>

Source: Author's creation.

# 1 Goal Setting

Align personal goals of internal auditors to internal audit department goals and the organization’s strategies to help the organization achieve its objectives.

## Action Items

- ✔ **Undertake formal analysis of the organization’s strategy.** The best way to do this is to establish a stakeholder relationship management program so that you can better understand the business drivers, pressures, and strategies of the organization in establishing the audit plan.
- ✔ **Align internal auditors’ personal goals with the organization’s strategy.** First, ensure there is alignment between the personal performance goals and objectives of internal auditors and the mission, objectives, and audit plan of the internal audit department (which should already be aligned with the strategic direction of the organization). Second, extend this analysis into external research of industry trends, emerging risk issues, and other hot topics, which lead to incorporating suitable topics in the audit plan.

## Introduction

Internal auditors play a key role in enhancing and protecting organizational value and helping organizations accomplish their objectives. They are in a much more effective position to help an organization accomplish its objectives when their personal performance goals and objectives align to the mission and objectives of the internal audit department, which in turn is aligned with the strategic direction of the organization. **Exhibit 3** shows this relationship.

## Resources Used to Establish Audit Plans

The resources (or sources, as some regions would say) used to establish audit plans are varied, and they embrace the core pillars of consultation, analysis, and research.

Most respondents use a risk-based methodology (85%) and through consultation draw in requests from key stakeholders (including management 72%, divisional heads 62%, and audit committees 56%). Through analysis they then reflect back on the previous year’s audit plan (61%). Around 64% of CAEs report that they are undertaking analysis of the organization’s strategy or business objectives

**Exhibit 3 Individual Goals Contributing to Strategic Objectives**



*Note:* The individual goals of internal audit staff should align with internal audit’s mission and objectives. This will ultimately help to achieve the organization’s strategic objectives.

when establishing their audit plan (see **exhibit 4**). In addition to these factors, leading CAEs also undertake research that considers external factors such as industry trends, emerging risk issues, and other hot topics (however, these external factors were not included as response options in the survey question).

**Leadership Insight**

“As we rise to meet new challenges, we must focus on the opportunities that will help us overcome these obstacles. We must focus on becoming better prepared, better informed, and fully engaged with stakeholders.”

—Anton van Wyk, Partner,  
PricewaterhouseCoopers South Africa,  
Immediate Past Chairman IIA Global Board

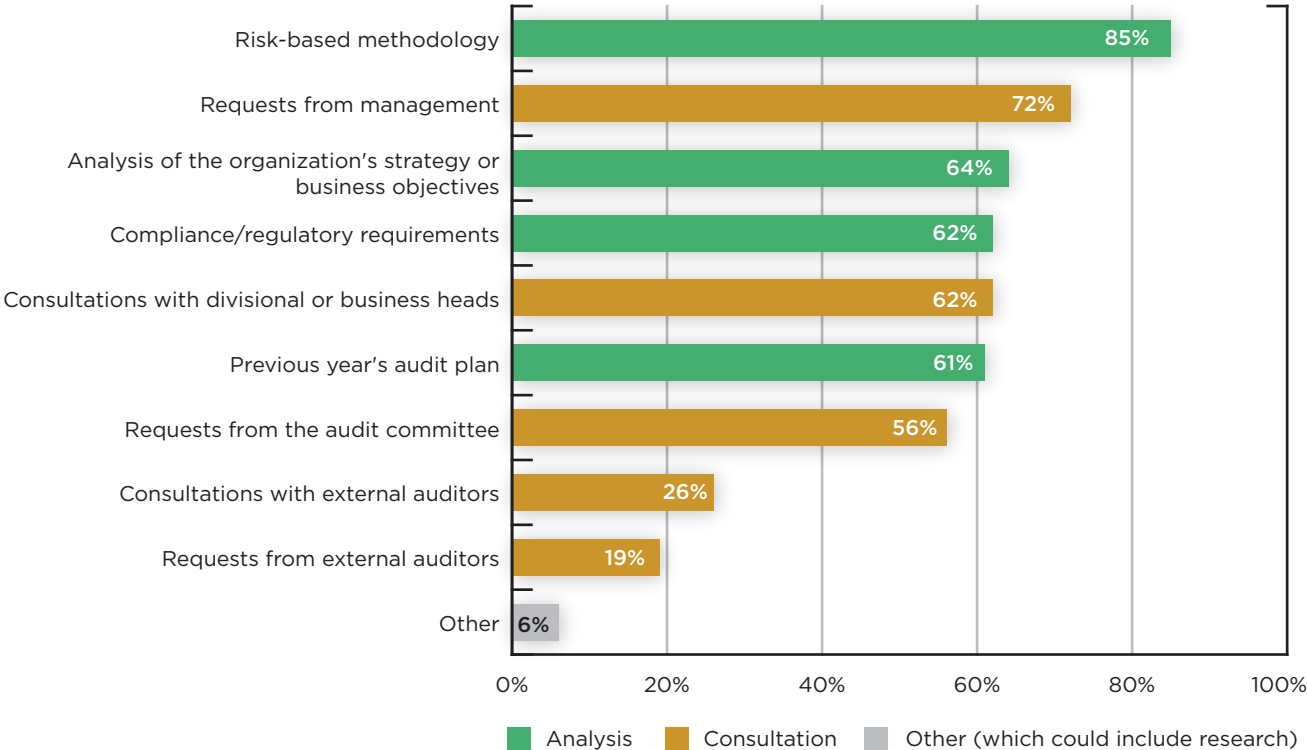
**Aligning Internal Audit with the Organization’s Strategy**

About 57% of CAEs report that their internal audit department is fully aligned or almost fully aligned with the strategic plan of their organization; the remaining 43% are somewhat, minimally, or not aligned with the strategic plan of their organization (see **exhibit 5**). Among the seven CBOK regions, Latin America & Caribbean (72%) and Sub-Saharan Africa (69%) report the most aligned. Leading CAEs find that effective stakeholder engagement arrangements help to optimize the alignment between the internal audit plan and the strategic plan of the organization.

**Individual Goal Setting for Internal Auditors**

Goal setting is a key part of a performance management process that aligns each staff member’s personal goals to departmental and organizational goals and objectives. In

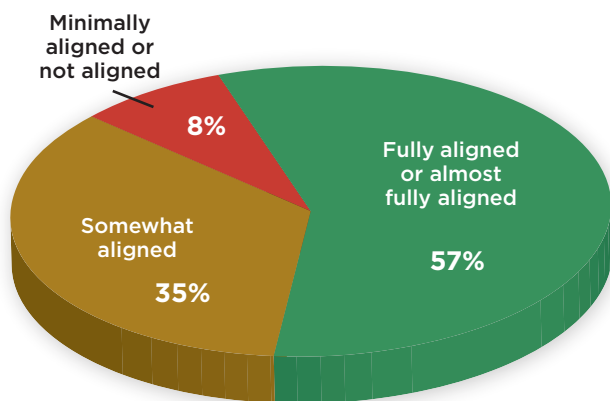
**Exhibit 4 Resources Used to Establish Audit Plans**



Note: Q48. What resources do you use to establish your audit plan? Choose all that apply. CAEs only. n = 3,040.



### Exhibit 5 Internal Audit Aligned with the Strategic Plan of the Organization



Note: Q57: To what extent do you believe your internal audit department is aligned with the strategic plan of your organization? CAEs only. *n* = 2,756.

a four-stage performance management process (as illustrated in **exhibit 6**), the individual’s performance appraisal considers the outcomes achieved against the goals set at the start of the process. In turn, the appraisal outcome feeds into the internal auditor’s proposed professional development activities and will influence any intrinsic and extrinsic rewards.

The establishment of individual goals is an iterative process between the auditor and the CAE or their delegate. The aim is to identify the specific results that the individual auditor is required to achieve to help the internal audit department (and ultimately the organization) achieve its objectives. In effect, over a typical 12-month cycle, the auditor’s performance goals are discussed and agreed, the auditor takes action to achieve the goals, performance is

appraised, goals are refreshed, and, where appropriate, performance improvements are identified.

Depending on the organization’s human resources policies, the goals may well be a combination of work-specific outcomes and personal development needs. (Personal development plans are described in more detail in chapter 3, “Equipping Employees.”)

It is very important to have clear documentation of the link between individual goals, departmental goals, and organizational goals. **Exhibit 7** shows how you can link balanced scorecard elements, departmental key performance indicators (KPIs), and individual performance for leaders or staff. If you do not use the balanced scorecard process, you can substitute a similar performance dashboard. This process is also discussed further in chapter 4, “Assessing Performance.”

#### Leadership Insight

“Internal auditors can be best positioned as strategic advisors to their executives. To do this, they need to fully understand the business drivers, pressures, and strategies.”

—Frances Cawthra, Chief Finance Officer, Australian Taxation Office, Australia

### Exhibit 6 Typical Elements of a Performance Management Process



**Exhibit 7** Example of Aligning Individual Performance Measures to Balanced Scorecard KPIs

Balanced Scorecard Element	Examples of Departmental Key Performance Indicators (KPIs)	Measure Type	Applicability	
			Audit Leaders	Auditors
Partnering with the audit committee	Audit committee expectations met	Qualitative	Yes	If directly relevant
	Percentage of audit plan complete	Quantitative	Yes for own team	Yes for personal allocation
Supporting executive and senior management	Client satisfaction goals—value added	Qualitative	Yes for own team	Yes for own audits
	Client satisfaction goals—usefulness of recommendations	Qualitative	Yes for own team	Yes for own audits
	Cycle times (duration period of audits)	Quantitative	Yes for own team	Yes for own audits
Managing internal audit processes	Performance against the internal audit financial budget	Quantitative	Applies to CAE	Not applicable
	Maintain current internal audit charter, intranet, audit manual	Qualitative	Applies to CAE	Not applicable
	Budget to actual audit times	Quantitative	Yes for own team	Yes for own audits
	Conformance with quality assurance and improvement standards (based on internal and external quality assessments)	Qualitative	Yes for own team	Yes for own audits
Managing internal auditors and their development	Internal auditor workforce satisfaction	Qualitative	Yes for own team	Not applicable
	Completion of initiatives in professional development plan	Quantitative	Yes for own team	Yes personally
	Optimizing utilization of internal audit resources (to conduct audits while minimizing "administration")	Quantitative	Yes for own team	Yes personally

Source: Author's creation.

## Six Key Strategies for Goal Setting

Based on insights from experienced CAEs, here are six key strategies for effective goal setting:

1. Provide sufficient time for audit leaders and auditors to develop and agree upon goals.
2. Establish meaningful goals that are clear, measurable, and achievable.
3. Set goals that are commensurate with an auditor's capability.
4. Align individual goals to audit department and organizational strategy.
5. Equip auditors with the necessary skills to meet goals.
6. Provide auditors with motivation to meet goals.

Be sure to take each of all six strategies into consideration for each individual. This will help you pave the way for each person to succeed.

## Conclusion

Effective goal setting provides the road map for internal auditors to consistently deliver insights that really matter. CAEs rely on the talent at their disposal to determine insights that add value to their organization and help it achieve its objectives. The next chapter is about retaining talent. It illustrates how individual characteristics make a big difference in how you approach goal setting by exploring generational, life satisfaction, and gender differences. Don't assume that everyone on your staff can be motivated the same way!

### ***Leadership Insight***

“In order to have an efficient internal audit department, internal audit team members must have clear goals and personal objectives defined together with the CAE, who has the responsibility to ensure that these goals and objectives are fully aligned with the goals assigned to his department. The addition of personal goals should achieve or exceed the collective goals of the internal audit department.”

—Jean-Marie Pivard, Vice President,  
Internal Audit and Risk Management,  
Publicis Group, France

# 2 Retaining Talent

Retain the right talent amidst changing needs of internal audit and the business to help build an effective internal audit team.

## Action Items

- ✓ Establish a talent management strategy that promotes innovation and aligns with stakeholder needs, diversity ideals, audit plans, a competency gap analysis, and succession plans.
- ✓ Adapt motivation strategies to the different generations (Baby Boomers, Generation X, Millennials, and the upcoming Generation Z).

## Introduction

Generational differences affect all elements of workforce management, including recruitment, team building, management, motivation, change management, and optimization of productivity. Effective generational management helps to drive communication strategies, gain employee commitment, minimize employee turnover, reduce misunderstandings, and attract high caliber employees.

As Jean-Marie Pivard, vice president internal audit and risk management at Publicis Group, France, explained, “The way to manage an internal audit function tomorrow will considerably change compared to nowadays as a result of the major changes in the mindset and behavior of new generations.”

In terms of retaining talent, this chapter explores the impact of:

- Generational differences
- Life satisfaction factors
- Internal audit retention patterns
- Gender
- Rotation programs

## Motivation Strategies that Recognize Generational Differences

As CAEs pursue creative talent management strategies, they need to recognize the different motivational drivers that exist among the generations.

In the main, there are five generations that make up the bulk of the workforce today and into the near future: Traditionalists (70 to 88 years old), Baby Boomers (51 to 69 years old), Generation X (35 to 50 years old), Millennials, also known as Generation Y (15 to 34 years old), and Generation Z (younger than 15). Traditionalists and Baby Boomers often held “a job for life,” and this provided structural, career path, and staffing stability for CAEs because they had a pool of career auditors. Generation X and Millennials are expected to change jobs or careers more frequently. Finally, the technology-savvy Generation Z will bring a new perspective to the workforce in future years. **Exhibit 8** provides a summary of the characteristics commonly associated with these generations.

The differences among generations is a theme throughout this report. You will learn about the generational representation in the internal audit profession, including staff levels (**exhibit 10**), years of experience (**exhibit 11**), and intentions to stay in the profession (**exhibit 12**). In addition, you will learn about generational preferences for learning styles (**exhibit 18**), feedback loops (**exhibit 20**), intrinsic rewards (**exhibit 21**), and employee engagement features (**exhibit 22**). Collectively, these exhibits provide insights on features that need to be considered in the establishment of strategies that motivate people from different generations.

## Exhibit 8 Generational Characteristics

	Traditionalists	Baby Boomers	Generation X (Gen X)	Millennials (Generation Y)	Generation Z
<b>Birth Year Range</b>	1927 to 1945	1946 to 1964	1965 to 1980	1981 to 2000	After 2000
<b>Current age (for 2015)</b>	70 to 88	51 to 69	35 to 50	15 to 34	Younger than 15
<b>Key influences</b>	The Great Depression	Brought up in an abundant, healthy, post-World War economy	Witnessed parents sacrificing greatly for their companies	Raised during the boom times; strong parental support	Born after invention of Internet, so hyper tech-savvy
<b>Common values</b>	Working hard	Working efficiently	Eliminating the task	Multitasking	Innovating
	Sacrifice	Optimism	Skepticism	Realism	Enthusiasm
	Respect for authority	Worthy causes	Informality	Confidence	Social conscience
	Complying with rules	Questioning authority	Self-reliance	Being sociable	Avoiding risk
	Duty before fun	Personal fulfillment	Fun	Lots of fun	Less-developed social skills
<b>General traits</b>	Individual	Team player	Entrepreneurial	Participative	Collaborative
	Unselfish	Independent	Independent	Performs well in teams	Technologically intuitive
	Dependable	Values flexibility	Structured and linear	Nonlinear	Global perspective
	Seeks job security			Needs structure and guidance	Less-developed critical thinking
<b>Preferences for recognition</b>	A thank you	Cash equivalents	Skill-development opportunities	Constant and immediate feedback	Lots of periodic awards/rewards
<b>Examples of messages that motivate</b>	Your experience is respected.	You are needed and valued.	Do it your way.	You will work with other bright, creative people.	You will have advancement opportunities.

*Note:* The content of this exhibit is intended to provide illustrative examples of general patterns and reflects just a small proportion of reported characteristics. It was developed by the author from a range of Internet searches, and refined during consultation with global business, finance, and audit leaders. The age ranges and descriptors are indicative only and vary in different publications.

## Generational Impacts on Internal Audit

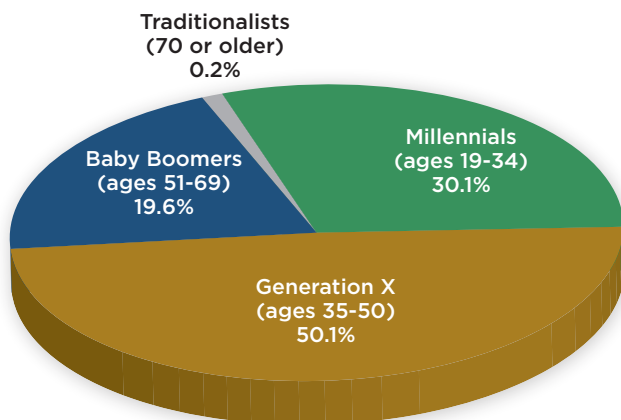
Generation X makes up half of the internal audit profession worldwide. Another 3 out of 10 are Millennials, and 2 out of 10 are Baby Boomers (see **exhibit 9**). The generational breakout by staff level shows that management is clearly weighted toward Generation X. Those below management level are fairly evenly split between Generation X and the Millennials, with slightly more Millennials as they are starting their careers (see **exhibit 10**).

### Planning for Baby Boomer Retirement

CAEs need to remain abreast of the retirement plans of Baby Boomers. According to the CBOK practitioner survey, 24% of them expect to retire in the next five years (Q36,  $n = 11,107$ ). Retirement of this group of employees will result in the loss of well-tuned communication skills and significant workplace experience. As **exhibit 11** shows, 42% of Baby Boomers have more than 15 years of audit experience, compared to only 18% of Generation X.

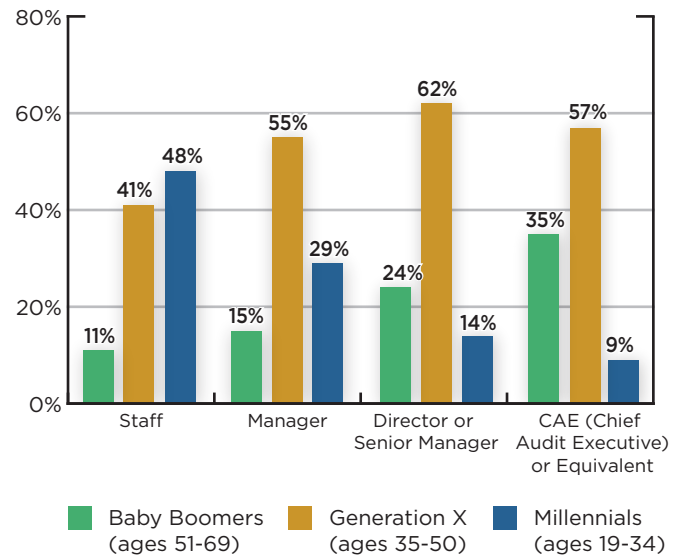
When Baby Boomers retire, CAEs will also lose some of their internal audit function's knowledge base. Therefore, CAEs should leverage the experience, loyalty, and credibility of Baby Boomers by asking them to train newer staff. Some Baby Boomers may also welcome the chance to support such programs post-retirement. In addition, when a staff member is near retirement, CAEs should take steps to

### Exhibit 9 Generations Among Internal Auditors Surveyed



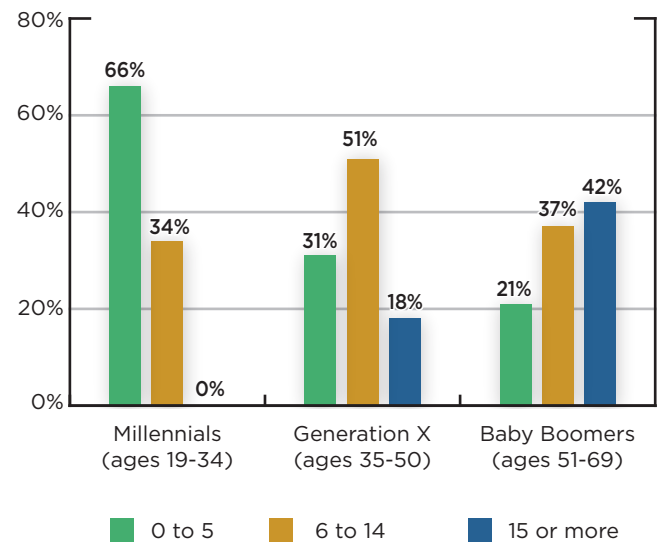
Note: Q3: What is your age?  $n = 11,241$ .

### Exhibit 10 Generation Compared to Staff Level



Note: Q9: What is your position as an internal auditor in your organization? Due to rounding, some totals may not equal 100%.  $n = 11,241$ .

### Exhibit 11 Years of Experience Compared to Generation



Note: Q3: What is your age? compared to Q10: Approximately how many years of professional experience do you have as an internal auditor?  $n = 11,607$ .

retain the knowledge stored in the employee's digital files. One option is to ask the employee to provide a package of their most valuable documents along with a description of their usage.

Finally, Baby Boomers are at an ideal level to assume audit committee roles for other entities. This provides audit committees with experienced practitioners (both before and after their retirement) who will be strong advocates for the profession.

### **Grooming Millennials for Leadership**

Generation X has been assuming internal audit leadership roles as Baby Boomers shift into other roles or retire. About 57% of CAEs are now from Generation X, as illustrated in **exhibit 10**.

Millennials currently hold nearly half of all the internal audit staff roles and a small proportion of CAE roles (9%). As generational changes take effect, Millennials will move into management positions, so CAEs are investing in the leadership development of Millennials.

In addition to established training programs, CAEs are looking to innovative solutions that cultivate insightful, proactive, and future-focused leadership thinking. Examples of these solutions are:

- Having Millennials lead lower risk audit engagements
- Allowing them to attend important meetings (as observers) with senior management and audit committees
- Sending them into the business on short-term secondments (when an employee temporarily transfers to another job for a defined period of time for a specific purpose to the mutual benefit of all parties)
- Using a frontline connections program where they spend several hours a month observing frontline operatives and/or leaders
- Having them connect with internal audit alumni for periodic informal interactions
- Offering mentoring or coaching opportunities

### **Preparing for Generation Z to Enter the Workforce**

Progressive leaders will already be considering the unique needs of the technology-savvy Generation Z entering the workforce in the near future. This generation of digital natives has grown up with information at their fingertips. They are adept at sourcing, deciphering, and sharing information from across the world. They are likely to be attracted by education and training programs. Once in the workforce, they are likely to prefer more personal forms of communication such as employee profiles and stories.

#### **Leadership Insight**

"I hope audit leaders, and those looking to become leaders, will invest in learning about the power of diversity and unconscious bias. Doing so will help their audit team (and our profession) provide greater solutions for our stakeholders."

—Larry Harrington,  
Vice President Internal Audit,  
Raytheon Company USA,  
Chairman of The IIA Global Board

### **Life Satisfaction Factors**

Another way to look at different factors affecting the workforce is to consider differences in life satisfaction among various age groups. An Australian government report notes that a person's life satisfaction declines from the age of 15 to the mid-30s, then stabilizes at a lower level for the next 15 years, before beginning to improve from the early-50s until the late-60s.\*

The report outlines the changes that are affected through seven major life events: leaving the parental home; marrying or moving in with a partner; childbirth; separation from a spouse or live-in relationship; becoming empty nesters; retirement; and widowhood. CAEs need to be cognizant of life-course transitions of their internal audit cohort when developing their talent management strategy.

\* *Life Satisfaction Across Life Course Transitions* (Australian Institute of Family Studies, September 2015).

## Retention within the Internal Audit Profession

As we think about retaining talent, it is important to look at whether current internal auditors plan to stay in the profession. The CBOK 2015 practitioner survey asked, “In the next five years, what are your career plans related to internal auditing?” Respondents could choose from: “Stay in the internal audit profession,” “Leave the internal audit profession,” “I don’t know,” and “Retire.” **Exhibit 12** shows:

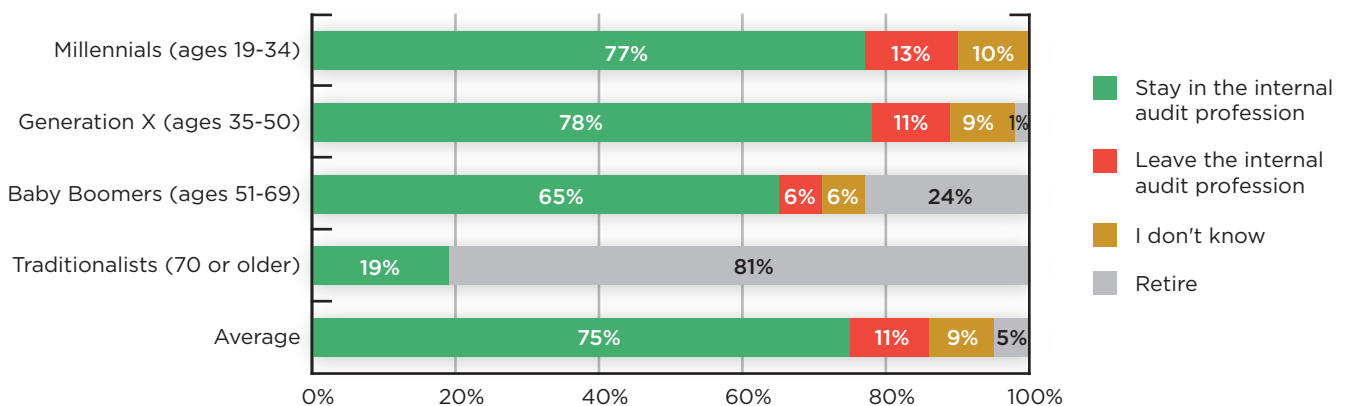
- The rate of retention between Millennials and Generation X is remarkably similar as a global average. This is counterintuitive to the assumption that the younger generation may be less committed to the profession.
- Baby Boomers are more likely to stay in the profession than the younger generations (only about 1 out of 10 say they plan to leave the profession or are unsure). Another 24% of Baby Boomers say they will retire in the next five years.
- Traditionalists are largely retiring (81%).

- On average worldwide, 75% say they plan to stay in the profession (see green bars).
- Another 20% of respondents say they either plan to leave the profession (see red bars) or are unsure (see gold bars).
- About 5% say they plan to retire (see gray bars).

### Country-Specific Differences

Retention patterns can vary quite a bit from country to country. For example, in Europe, France has the lowest percentage who plan to stay in the profession (52%). This stands in contrast to some European countries where nearly 100% of survey respondents plan to stay in the profession (Ukraine, Bosnia, Cyprus, Slovakia, and Moldova). Regarding France, Jean-Marie Pivard explained: “Most of the internal auditors [in France] do not want to stay in the internal audit function more than three years. Internal audit is considered as an entrance point in a Group (after three to five years in a Big Four) and after two or three years of internal audit, they want to move to operational functions.”

**Exhibit 12 Internal Audit Retention Compared to Generation**



Note: Q36: In the next five years, what are your career plans related to internal auditing? Due to rounding, some totals may not equal 100%. n = 11,107.



## The Closing Gender Gap

Talent management should include a consideration of the growing ratio of women in the profession. Among survey respondents, the gender gap has been closing in all but two regions, as reflected in **exhibit 13**. However, this does not mean that women are represented in the profession at the same level worldwide.

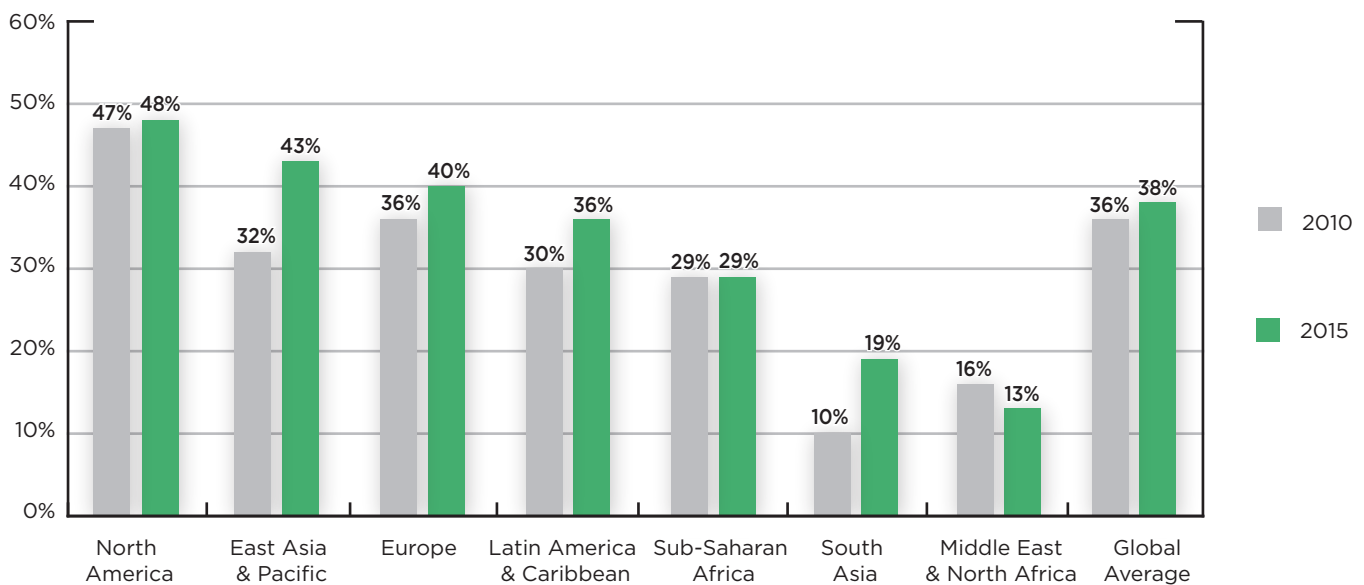
- In South Asia and the Middle East & North Africa, women make up less than 20% of respondents.
- In North America, the split is nearly 50/50.
- The change in female respondents in East Asia & Pacific is particularly interesting. It is mainly due to China, Taiwan, and Hong Kong having more survey participation in 2015 compared to the 2010 practitioner survey. China, Taiwan, and Hong Kong averaged 53% female participation, compared to countries such as Japan and Korea, which averaged 7% female participation.

The specific motivators of women in the workforce will need to be recognized as women are being developed to undertake more senior roles. Factors such as work/life balance, workplace stability, flexible working arrangements, and working from home are especially important for working mothers.

Financial institutions, service provider firms, and other leading organizations are increasingly promoting gender equality in their workplaces. The aim is to support the equal participation of females and males at all levels of the workplace. Current trends include disclosure of like-for-like and organizationwide gender pay gaps; enhanced caring provisions for males, including paid parental leave; strategic focus on flexibility; targeted approach to succession and recruitment for critical roles; and enhanced efforts to shift organizational culture toward outcomes-based working rather than hours spent at the desk.

Males continue to hold the highest proportion of leadership roles, representing 69% of CAEs and 67% of director or senior manager roles. In contrast, men make up 56% of staff level roles (Q9,  $n = 12,579$ ). Between

**Exhibit 13** Female Representation by Region (Comparing 2010 to 2015)



Note: Q4: What is your gender? of the 2015 survey.  $n = 14,158$ . Compared to Q5 [Q2b] of the 2010 survey. Your gender: by Q56 [Q1c] grouped into CBOK 2015 regions. Please select the location in which you primarily practice professionally (work).  $n = 13,422$ .

the CBOK 2010 and CBOK 2015 practitioner surveys, there has been a slight change in the proportion of females in CAE roles, increasing from 27% to 31% on average globally.

### Rotation Programs Through Internal Audit

One well-recognized but underused approach to talent management is rotation of employees through internal audit. The CBOK practitioner survey asked respondents: Does your organization have a process in place to rotate staff through the internal audit department as part of training them for management in other parts of the organization? The results (as shown in **exhibit 14**) were:

- Two-thirds of organizations (66%) do not have a rotation process in place.
- 22% of organizations have an informal process.
- Just 12% have a formal process.
- South Asia is the most involved in rotation programs, with 70% saying they have formal or informal programs.

- Southeast Asia (which is part of the East Asia & Pacific region) also has high use of rotation, with 56% saying they have formal or informal programs in place. (*Note:* This breakout is not shown in **exhibit 14**.)

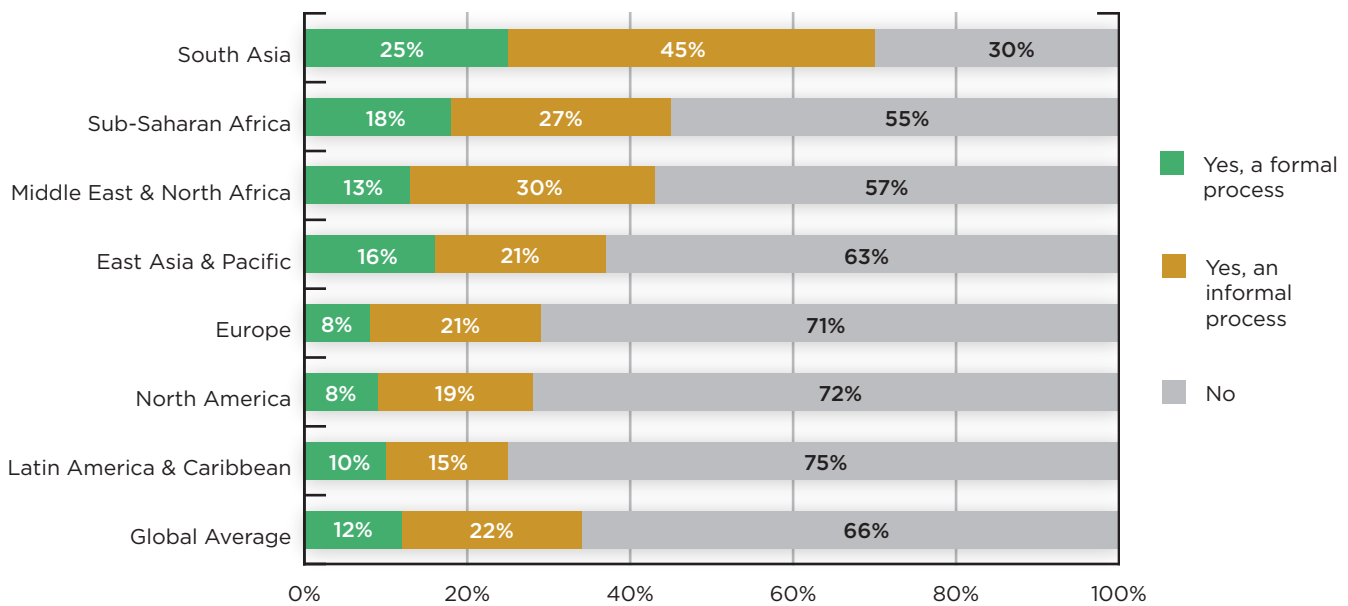
In addition, formal rotation processes are used mostly in the finance sector (15%) and in organizations with larger internal audit departments (21% of organizations with more than 50 internal audit employees).

#### Learning from the High Use of Rotation in India

The rotation process is well-used in South Asia—double the global average. The CEO of IIA–India, Deepak Wadhawan, cites three main reasons for the rotation process to be so well-used in South Asia (where India represented 80% of respondents):

1. Traditionally, internal audit has been structurally situated under the accounts department, so departmental transfers happen.

**Exhibit 14** Internal Audit Used as Training Ground for Management



*Note:* Q35: Does your organization have a process in place to rotate staff through the internal audit department as part of training them for management in other parts of the organization? Due to rounding, some totals may not equal 100%. *n* = 11,240.

2. A significant number of internal auditors are professionally qualified and hence can make career moves outside internal audit.
3. Management encourages rotation to use the talent pool.

NG Shankar, senior president corporate audit of the \$US41 billion Aditya Birla Group, further elaborated on the reasons that management in India encourages rotation through the internal audit function:

“Large organizations in India believed that as internal audit functions evolved, auditors were seen to be future business leaders; therefore, one of the requirements was a rotational policy in 3 to 5 years’ timeframe, like we have. It was also felt that it would be good for auditors to have prior business exposure in fields other than accounting and finance. Therefore, we have some with engineering or IT profiles joining us from group companies or externally from functions such as operations, projects, or engineering maintenance. After 3 to 5 years, they are also able to get back into an enhanced role in business. Career auditors are provided larger roles within our function, which is possible in a diversified, multi-company group like ours.”

As NG Shankar explained, his organization has enjoyed multiple benefits related to its rotation program. Benefits of a rotation program include:

- Enhances the value of internal audit by drawing practical insights from business experts into complex audits, and enhances internal audit’s credibility when technically strong outputs are delivered.

- Improves the intellectual capital and expertise of the internal audit department overall.
- Helps business experts to boost their understanding of corporate governance, risk management, and internal audit.
- Draws fresh talent into the internal audit department and potentially helps to replenish the talent pool for the business as a whole in the longer term.
- Helps to attract and retain excellent employees.

### Conclusion

Retaining talent in your internal audit function creates a strong base for meeting internal audit’s goals. At the same time, business risks are constantly changing, so the skills needed to undertake audits also need to evolve. The next chapter outlines the fundamentals of workforce and professional development planning and how the planning can be tailored to accommodate internal auditors across the generations. Don’t underestimate the importance of the continued investment in internal auditors at a time of constant change!

#### **Leadership Insight**

“Organizations are like living organisms, always changing and evolving. So it is with internal audit functions, which must adapt to the changing risks and organizational imperatives around them. Establishing a culture that recognizes and harnesses talent is one of the best ways to respond to these ever-changing needs.”

—Dr. Ian Peters, Chief Executive,  
Chartered Institute of Internal Auditors,  
UK and Ireland

# 3 Equipping Employees

Build capability and capacity for internal audit overall and individually to help deliver value.

## Action Items

- ✓ Establish a comprehensive workforce plan for the internal audit department.
- ✓ Develop and implement a professional development plan for the internal audit department that includes key development opportunities for the department and individual auditors.

## Introduction

To be effective, CAEs must embrace continuous improvement and develop internal auditors that are insightful, proactive, and future-focused. This starts with establishing a comprehensive workforce plan, which in turn leads to a professional development plan for each member of the internal audit function.

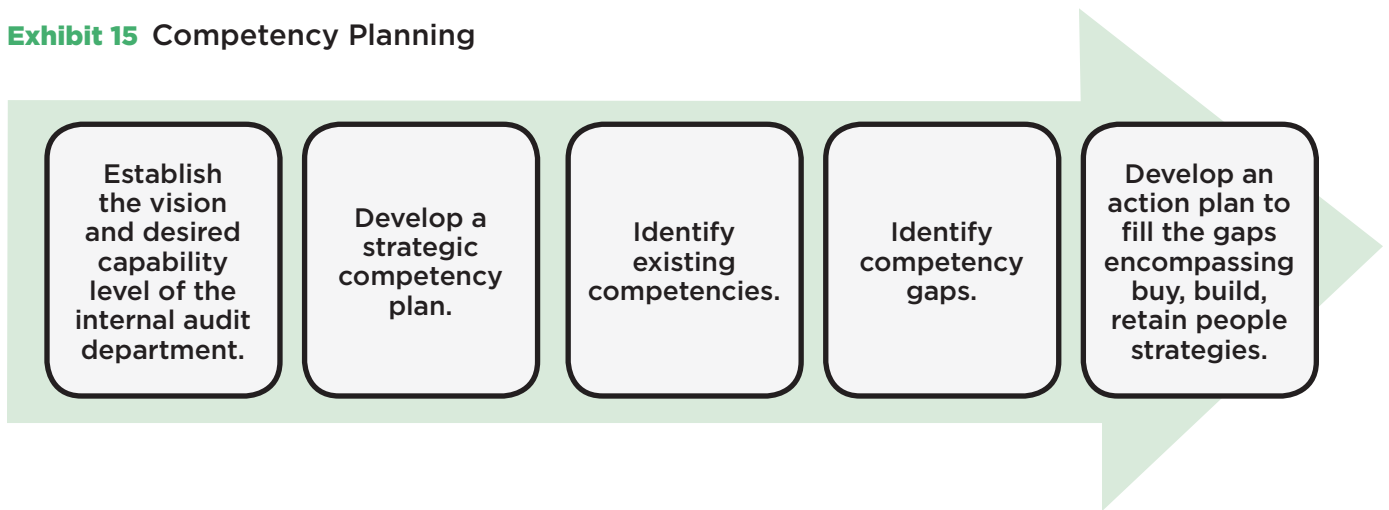
## A Comprehensive Workforce Plan

A comprehensive workforce plan for the internal audit department should incorporate:

- An internal audit strategic competency plan and associated competency process.
- A three-pillar approach for filling competency gaps through buy, build, and retain.
- An internal audit capability model tailored specifically for your organization.

The common stages of competency planning are illustrated in **exhibit 15**. As shown, the final stage of competency planning is to develop an action plan to fill the competency gaps that are discovered.

## Exhibit 15 Competency Planning



Source: Modified excerpt from The IIA's Practice Guide, Creating an Internal Audit Competency Process (IACP) for the Public Sector, November 2014.

## Buy, Build, and Retain

One of the best strategies for filling competency gaps is the “buy, build, retain” approach illustrated in **exhibit 16**.

### Exhibit 16 Three-Pillar Solution to Filling Competency Gaps

Buy	Build	Retain
Recruit selectively to achieve a well-balanced audit team.	Maintain a structured professional development plan.	Nurture a professional learning environment.

Source: Modified excerpt from The IIA’s Practice Guide, Creating an Internal Audit Competency Process (IACP) for the Public Sector, November 2014.

In this plan, you look at the competencies needed and ask yourself:

- What do you want to **buy** either for technical skill or to support an agile workforce to meet peak demands?

- What do you want to **build** from the ground up as a sustainable platform of skills?
- What do you want to **retain** and develop for talent and succession planning?

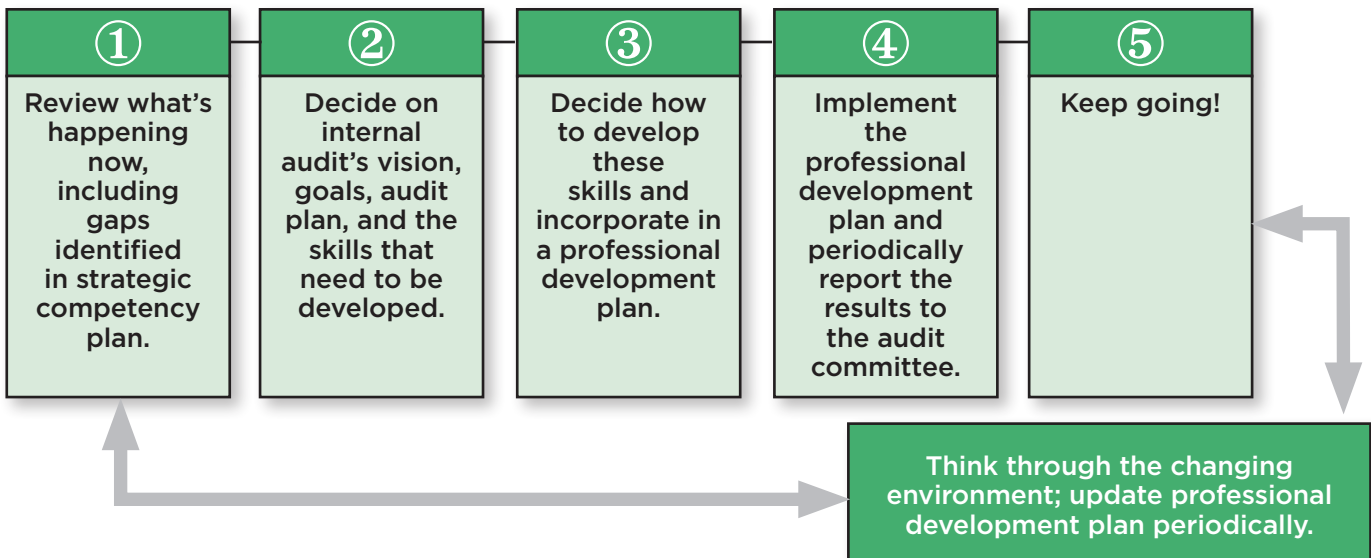
In addition, the comprehensive workforce plan needs to be built on an internal audit capability model tailored specifically for your organization. Some excellent resources for this are referenced in **appendix B**, including materials on capability models, competency framework, and competency process.

### The Professional Development Plan

The establishment of a professional development plan is a strategic driver that can be presented to the board and audit committee to support the audit department’s investment in this area. This is especially important at a time where many organizations across the world seem focused on trimming their discretionary expenditure in areas such as training and development.

The steps for establishing a professional development plan are illustrated in **exhibit 17**.

### Exhibit 17 Five Key Steps for Establishing a Professional Development Plan



Source: Author’s creation.

## Development Plan Components

The professional development plan should include training programs and address other developmental needs, combining both the high-level development needs for the whole department together with significant personal development needs of individual auditors. For instance:

- High-level – Delivering departmental training to all internal auditors in soft controls analysis and skills for assessing the corporate culture.
- Individual – Addressing an operational auditor’s personal development needs through support for achieving the certified internal auditor (CIA) designation or other recognized certification.
- Individual (IT specialist) – Addressing an IT auditor’s personal development needs through cybersecurity risk training.

### Leadership Insight

“Financial support or other support for professional development (such as earning a degree or a certification) lets employees know that they are valued and seen as important to achieving team and organizational goals.”

—Dr. Gary Pflugrath,  
Director Public Policy and Regulation,  
International Federation of Accountants,  
New York

## Tailoring the Approach to the Generation

CAEs need to be flexible in tailoring their formal and on-the-job learning delivery approaches for the respective generational audiences. While a traditional classroom style is preferred by Traditionalists and Baby Boomers, Generation X is more likely to embrace a self-directed, self-paced approach, whereas Millennials prefer the integration of technology and media into learning, such as webinars. **Exhibit 18** provides examples of generation-specific learning styles. The learning styles of Generation Z will become clearer as they progressively join the workforce.

### Exhibit 18 Learning Styles for Different Generations

Traditionalists	Baby Boomers
<ul style="list-style-type: none"> <li>● Informational learning style</li> <li>● Traditional classroom setting using mainly lectures</li> <li>● Task specific</li> <li>● One-on-one coaching</li> <li>● Excellent at mentoring</li> </ul>	<ul style="list-style-type: none"> <li>● Transformational learning style</li> <li>● Traditional classroom learning extended to learning through participation, critical reflection, reflection and feedback</li> </ul>
Generation X	Millennials
<ul style="list-style-type: none"> <li>● Self-directed or self-paced</li> <li>● Highly receptive to e-learning series of structured lectures</li> <li>● Requires integration of technology and media in learning</li> <li>● Wants easy access to the information and industry procedures</li> </ul>	<ul style="list-style-type: none"> <li>● Informal, incidental learning</li> <li>● Requires integration of technology and media in learning (webinars, social networking sites, avatars)</li> <li>● Personalized learning through customized environment</li> </ul>

Note: Based on United Nations (Joint Staff Pension Fund), What Matters and How they Learn - Traditionalists, Baby Boomers, Generation X, Generation Y (and Generation Z) Working Together, July 2009, New York, USA.

## Characteristics of Current Training Programs

The CBOK 2015 practitioner survey asked CAEs the following question: What is included in the training program for internal audit? Respondents could choose as many options as they liked. Worldwide, CAEs say their programs include internal audit skills (68%), orientation (54%), business knowledge (53%), critical thinking (30%) and leadership skills (27%) (Q46,  $n = 3,099$ ).

The survey also asked CAEs: What is the level of formalization for the training program for internal audit at your organization? Larger internal audit departments are more likely to have structured and documented training programs: 74% of departments with more than 50 employees have such programs, compared to 45% of those with 4 to 9 employees (Q45,  $n = 2,820$ ).

There is a view among CAEs interviewed that training programs with their existing core features will remain, but will become a subset of professional development plans, which have a broader strategic focus and encompass non-training development initiatives.

## Conclusion

Once the fundamentals of goal setting, talent retention, and development have been set, the internal audit function needs to have mechanisms that provide meaningful performance feedback. The next chapter is about assessing performance. It reflects on the importance of inter-linked strategies for assessing departmental and individual performance and includes examples that draw on balanced scorecard concepts. The chapter reflects on how to blend the traditional formal assessment processes with more immediate feedback loops that appeal to younger generations. There are significant differences in performance feedback preferences between the generations!

### *Leadership Insight*

“The individual development of each employee should be sought with great energy since the overall capacity of an internal audit department is the sum of all its employees.”

—Cesar Santos Brunetto,  
Internal Audit Specialist,  
Lojas Renner S.A., Porto Alegre, Brazil

# 4 Assessing Performance

Evaluate internal auditors against overall internal audit department performance to drive optimal contribution by the internal audit department.

## Action Items

- ✓ Adopt balanced scorecard reporting (or something similar, such as a performance dashboard) and ensure that this is optimally linked to the performance assessment of individual internal auditors.
- ✓ Implement a constant feedback and learning loop process for internal audit that complements the organizationwide formal performance assessments.

## Introduction

A performance culture is driven by having absolute clarity of purpose of what your organization is trying to achieve, coupled with the steps that internal auditors establish to perform in line with that. A firm foundation is provided when there is effective goal setting, and where the personal goals of internal auditors are aligned to internal audit department goals and the organization's strategies. The next step, then, is to assess performance.

## Measuring the Performance of an Internal Audit Function

Measures for internal audit performance can be thought of as inward-focused or outward-focused. The inward-focused measures tend to look at how work is done within the internal audit function. Outward-focused measures look toward customer satisfaction with the quality of work performed and outcomes. As shown in **exhibit 19**, the most common measures were inward-focused (see the green bars), but about a third of respondents also use client satisfaction goals and fulfillment of stakeholder expectations (outward-focused measures).

As the internal audit profession continues to evolve, performance evaluation techniques need to embrace more outward-focused measures that reflect how well the audit effort has added value and helped to improve the

organization's operations (as is the aspiration in the definition of internal auditing). (For more on this topic, see the CBOK 2015 report titled *Delivering on the Promise: Measuring Internal Audit Value and Performance* by Jane Seago, available at [www.theiia.org/goto/CBOK](http://www.theiia.org/goto/CBOK).)

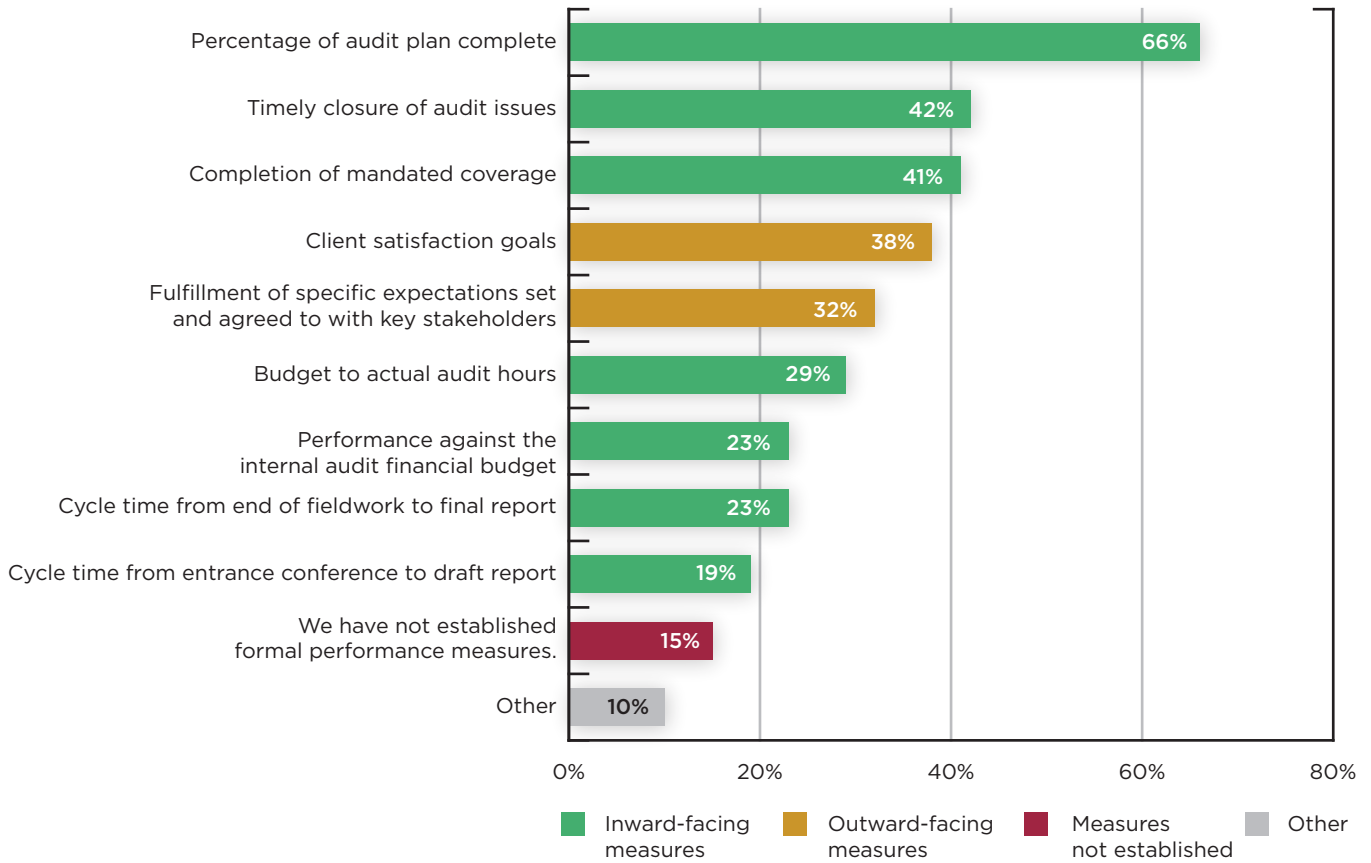
## Assessing Individual Performance

Structured formal performance assessment processes typically involve three key face-to-face stages over a one-year span. The first stage involves goal setting, followed by a formal mid-term review after six months, and a further final formal review after a further six months. In some parts of the world, this is a two-step process rather than a three-step process (there is no mid-term review), and CAEs strive to provide more frequent feedback in between the formal meetings.

In many parts of the world, the formal performance assessment process typically covers the internal auditor's competencies (for example, value-added, client-focused services; communication skills; technical competencies; knowledge of the business; outreach activities; and leadership characteristics), the delivery against performance goals, and their continued professional development needs (for example, on-the-job-training, specific training for specific needs, and preparation for CIA or other certification exams).



**Exhibit 19 Measures Used for Internal Audit Performance (CAEs Choosing All That Apply)**



Note: Q90: What specific measures does your organization use to evaluate the performance of its internal audit activity? (Choose all that apply.) CAEs only. n = 2,641.

New employees are usually provided regular feedback throughout their probationary period, which can span periods of three, six, or 12 months, depending on the organization’s recruitment policies.

Leading CAEs are making better use of technology to automate performance assessment processes to increase transparency and efficiency around the process. Many are also embracing self-assessment tools.

**Balanced Scorecard Reporting**

The adoption of balanced scorecard reporting is a well-established tool for structuring quantitative and

qualitative performance measures and reporting the results to the audit committee in a balanced way. In the CBOK 2015 practitioner survey, it was used by 26% of CAEs (up from 4% in 2010). The KPIs in the balanced scorecard will almost always align to individual performance measures. Please refer back to chapter 1, exhibit 7, for an example of balanced scorecard KPIs aligned to individual performance measures. Smaller internal audit departments do not need a complex or highly technical system to help provide the data for populating the balanced scorecard report, as many of these measures are currently or readily tracked.

## Blended Feedback Mechanisms

Internal auditors these days are seeking more immediate feedback and development support (see the recognition preferences for Generation X and Millennials in chapter 2, exhibit 8.) Keeping generational differences in mind, leading CAEs are embracing a blended approach that retains the well-established formal assessment process, while establishing complementary processes that provide a more constant feedback and learning loop. **Exhibit 20** lists eight learning loops and describes how they can be put into practice. There are many options for increasing the frequency of feedback to your staff.

## Conclusion

With your feedback loops in place, the final step in motivation is to reward work well done. As the next chapter describes, a combination of extrinsic and intrinsic rewards will be most effective in boosting your staff productivity.

### *Leadership Insight*

“We operate on a once-a-year performance assessment program here at Keyera, with the past year assessed and new-year goals set at calendar year-end. However, I actually perform formal quarterly performance reviews where we build the final assessment quarter-over-quarter. My Millennial helper loves the frequent feedback, and it makes life easier for me as I find it easier to remember what has been going on as the year progresses rather than trying to remember what occurred during a busy year at the end. Doing it this way also removes the stress and time constraints I see in other groups that follow the annual approach.”

—Glen Howard,  
Head of Internal Audit at Keyera,  
one of the largest midstream oil  
and gas operators in Canada

**Exhibit 20** Examples of Complementary Constant Feedback and Learning Loop Processes

Type of Learning Loop	Features
<b>Engagement feedback</b>	Feedback from team leaders after every audit engagement covering output/outcomes, overall results, behaviors, and future training needs.
<b>Career mapping</b>	An active career mapping conversation leveraging the resources of IIA Global Career Map.
<b>360° profiling</b>	Periodic assessment by management, peers, and subordinates through 360° profiling.
<b>Fireside chats</b>	The fireside chat approach focuses conversations on the professional development of internal auditors. These conversations are about 15 minutes in duration and kick off with a climate review chat (what is now and what could be) followed by further chats covering strength and talents, opportunities for growth, learning and development needs, and innovation and continuous improvement opportunities.
<b>Skip-level interviews</b>	Annual skip-level interviews conducted by the CAE for all indirect reports, which provide a sense of the pulse of the internal audit department. These help the CAE to identify potential leadership talent across the department and what drives them.
<b>Professional training targets</b>	Establishment of a professional training target of five to 10 days each year where continuing professional education credits are awarded. For instance, guest facilitators can be utilized from other areas of the business or externally (at little to no cost) to present a one-hour lunchtime seminar on relevant business areas (e.g., business strategy, emerging industry and audit hotspots, technical training, communications skills, new computer systems, and data analytics).
<b>Coaches and mentors</b>	Assigning coaches and mentors provides a self-evaluation approach for auditors and helps them deal with their personal performance challenges and development needs close to real-time through trusted advisors.
<b>Personality type evaluation</b>	Personality type evaluation (such as the Myers-Briggs Type Indicator) helps individuals understand their strengths and weaknesses and how best to deal with others.

Source: Author's creation.

# 5 Treating Success

Provide incentives and recognition to motivate internal auditors and help boost productivity.

## Action Items

- ✓ Establish a suitable rewards system for internal auditors that extends beyond compensation to encompass intrinsic rewards and aligns to the vision, strategic direction, and plans of the internal audit department.
- ✓ Develop and implement an employee engagement model that reflects what motivates the different auditors across the team.

## Introduction

While financial compensation is a vitally important component of the job for almost all employees, compensation alone provides limited motivation. The more powerful motivators are likely to be intrinsic rewards. Here is the difference between intrinsic rewards and extrinsic rewards:

- An extrinsic reward is often financial compensation, such as money, bonuses, special gifts, and other benefits.
- An intrinsic reward is a value the employee derives from the work itself, such as a sense of satisfaction from a job well done.

CAEs need to consider a combination of both intrinsic and extrinsic rewards for optimal motivation. CAEs especially need to recognize that the importance of these factors will change depending on generational, gender, and cultural drivers. The priorities will also be weighted higher at different stages of the auditor’s life, corresponding to external interests and family demands.

## Intrinsic Rewards

Intrinsic rewards are “motivation that money can’t buy,” and they can take many forms (see **exhibit 21**). Remember to tailor the intrinsic rewards according to generations

**Exhibit 21** Examples of Intrinsic Rewards and Other Motivations

Intrinsic Rewards and Other Motivations	
Individual recognition in front of peers	Constructive feedback
Team recognition in front of peers	Regular, open communication
Participation in decision-making	Training and certification support
Greater job discretion	Mentoring and coaching arrangements
Challenging and interesting work	Job security and workplace stability
Exposure/visibility in important meetings	Working conditions to provide work/life balance (such as flexible working arrangements)

represented on staff. For example, Baby Boomers approaching retirement often place a higher value on flexible working conditions and opportunities to coach or mentor others as part of their transitioning to retirement. On the other hand, Millennials value opportunities for personal growth together with challenging and interesting work.

One of the most powerful intrinsic rewards (in most cultures) is recognition in front of peers. For example, a retired CAE from the banking industry said that during large quarterly staff meetings, he would announce the names of several internal auditors who had done something significant that quarter and ask them to come to the front to receive a small check. The bonus was nice, but the real reward was the recognition in front of peers. Another good strategy is to recognize teams who have achieved significant accomplishments, because a lot of work today is team-oriented.

Intrinsic rewards can also be used to motivate staff to propose innovative ideas and practices for internal audit activities. For example, a public sector CAE with five teams in separate locations introduced an Innovation and Improvement Forum for the internal audit practice as a whole. A formal charter was established for this forum, stating that the group's primary focus was to identify, assess, promote, communicate, and implement ideas that would lead to innovation, improvements, and leading practices. Representatives for each of the five teams were chosen from different staff levels, with selection and periodic rotation based on the capability and leadership potential of individuals. The CAE provided leadership by reviewing all suggestions, approving implementation of any changes, and monitoring outcomes. The forum inspired continuous improvement and nurtured a mindset of innovating thinking.

### **Extrinsic Rewards**

Bonuses are an extrinsic reward that is used widely in the internal audit profession, except in the public sector, according to survey results. The survey question asked: Do you have the opportunity to receive a bonus from your employer (Q34)? Responses indicate:

- A global average of 67% have the opportunity to receive a bonus from their employer.
- Bonuses are much less prevalent for public sector employers (40%) and not-for-profit organizations (54%).

- Directors/senior managers and managers are more likely to have an opportunity for bonuses (78% and 75% respectively), compared to CAEs (66%). Staff are least likely (62%).
- Bonuses are more prevalent in larger entities (78% for those with more than 10,000 employees).
- Bonuses vary by region. The rates from highest to lowest are South Asia (82%), Middle East & North Africa (74%), East Asia & Pacific (74%), Sub-Saharan Africa (69%), North America (67%), Europe (64%), and Latin America & Caribbean (60%).

The survey also asked respondents to indicate what criteria their employers use to determine the bonus (Q34a,  $n = 7,922$ ). The most common criteria are:

- Personal performance (78%)
- Company performance (74%)
- Completing the audit plan (36%)
- Achieving the budget (20%)

### ***Public Sector Reliance on Intrinsic Rewards***

As the results about bonuses indicate, the public sector has fewer financial resources to use to provide extrinsic rewards, such as bonuses, for internal auditors. Therefore, motivation of public sector internal auditors is more closely linked to the value they derive from their work (intrinsic rewards). For example, public sector internal auditors often place value on their influence for the public good in the overarching governance system of their respective jurisdictions and the opportunities for collaboration across public sector agencies.

### **Leadership Insight**

“Internal audit plays a very integral role in the governance system. To help manage different types of risks and changes in the operating environment, internal auditors can use their expertise and knowledge to value-add and help public agencies manage strategic and operating complexities. Internal auditors also play important roles to function as catalysts of change and collaboration across organizations and the public sector to strengthen governance and improve organizational effectiveness.”

—Patrick Lau, Director,  
Institute of Public Administration and  
Management,  
Civil Service College, Singapore

### **Employee Engagement Model**

The term *employee engagement* refers to the level of connection an employee feels toward the organization where he or she works. A highly engaged employee works more energetically and creatively and has more commitment to the organization and its goals. Engaged employees are also likely to stay and grow in the profession, inspiring younger people.

Strong employee engagement is fostered by a working environment that recognizes the needs and expectations of team members and gives appropriate intrinsic rewards. CAEs should build an employee engagement model using the following areas of engagement:

1. Communications
2. Leadership development
3. Organizational culture
4. Team building
5. Awards

**Exhibit 22** gives a variety of activities that you can use in each of these areas to engage employees and provide intrinsic rewards. Your choice of activities should take into consideration the preferences of the different generations represented in your internal audit function. Employee engagement not only increases individual motivation, it also increases productivity of the internal audit function as a whole.

### **Conclusion**

Money, bonuses, special gifts, and other benefits (extrinsic rewards) are important to have. But many professional internal auditors also look for meaning in their work (intrinsic rewards). Successful employee engagement strategies accommodate the needs and motivators across genders, cultures, and generations.

## Exhibit 22 Five Areas of Employee Engagement (with Examples)

Communications	
<ul style="list-style-type: none"> <li>• Monthly CAE newsletter</li> <li>• Active solicitation of internal auditor feedback (using "fireside conversations" or "CAE road shows")                             <ul style="list-style-type: none"> <li>◦ Fireside conversations</li> <li>◦ CAE road shows</li> </ul> </li> <li>• Regular team meetings</li> <li>• Audit conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Alumni program</li> <li>• Simple gestures like a personal message or phone call from CAE on special occasions like birthdays</li> <li>• Conversations "across sites" led by CAE using video conferencing (if multi-site audit function)</li> <li>• Selective use of social media</li> </ul>
Leadership Development	
<ul style="list-style-type: none"> <li>• Provide senior auditors an opportunity to accompany CAE to audit committee meetings on a rotation basis</li> <li>• Provide a fair and effective performance assessment approach</li> <li>• Provide coaching and mentoring programs</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain open and transparent culture to empower auditors</li> <li>• Empower through delegation</li> <li>• Encourage external speaking engagements</li> <li>• Partner with local IIA chapter</li> </ul>
Organizational Culture	
<ul style="list-style-type: none"> <li>• Reinforce and model organizational values</li> <li>• Promote and support the organization's objectives and goals</li> <li>• Understand business drivers</li> <li>• Maintain a safe, orderly, and inspiring workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrate ongoing commitment to employee well-being</li> <li>• Apply equal opportunity practices</li> <li>• Annual internal auditor satisfaction surveys (linked to balanced scorecard reporting)</li> </ul>
Team Building	
<ul style="list-style-type: none"> <li>• A set day each month to wear casual clothing instead of business attire</li> <li>• Occasional recreational employee activities (out of work hours), such as "fancy dress" or a trivia quiz night</li> </ul>	<ul style="list-style-type: none"> <li>• Social activities involving family members such as barbecues</li> <li>• Community outreach activities such as volunteering or charity fund-raising</li> <li>• Celebrate community events (see case 1 below)</li> </ul>
Awards	
<ul style="list-style-type: none"> <li>• Employees encouraged to nominate colleagues for organization awards</li> <li>• Major employee achievements acknowledged in organization's newsletter and selectively on social media</li> </ul>	<ul style="list-style-type: none"> <li>• Employee achievements acknowledged in CAE newsletter</li> <li>• Personal recognition from the CAE (see case 2 below)</li> <li>• Innovative ideas that enhance productivity are linked to a rewards program</li> </ul>
Cases	
<p><i>Case 1:</i> A Baby Boomer CAE in Australia encouraged his employees to celebrate Australia's Harmony Day, which promotes the elimination of racial discrimination. To recognize the cultural diversity within the team, he arranged a team luncheon event where staff brought food from their country of birth. Because the national color for Harmony Day was orange, the CAE wore a bright orange suit, which was well out of his comfort zone. This "out-of-the-norm" effort by the CAE appealed to the sense of fun of the Generation X and Millennial employees and helped to further build team morale.</p>	
<p><i>Case 2:</i> The CAE awards a "medal" each year to an internal auditor to recognize innovation, teamwork, and continued professional development.</p>	

Source: Author's creation.

# Closing Comments

The demands and expectations of the internal audit profession have continued to evolve over the last decade to produce internal audit teams with multidisciplinary skill sets, varied work experience, and different workforce characteristics like gender, multiculturalism, and generational differences.

Bringing these teams together and motivating them takes a willingness to learn, adapt, and try new things that might even be out of our comfort zones. The five strategies from *GREAT Ways to Motivate Your Staff* will help you along the way.

## Goal Setting

Alignment between internal audit goals and your organization's strategic objectives will not happen by accident. Take the initiative to develop your stakeholder relationships so that you know where your company is heading. Use this knowledge to develop your departmental strategy and then individual auditor goals.

## Retaining Talent

You cannot ignore generational differences in your talent management strategy. Learn how to adapt your approach to the different priorities for Baby Boomers, Generation X, Millennials, and the upcoming Generation Z.

Remember that more women are joining the profession, and their priorities will need to be considered.

## Equipping Employees

If you are not building new competencies within your staff, you are probably falling behind. As you find competency gaps, fill them through the “buy, build, or retain” approach. Professional development not only helps the internal audit function as a whole, but it also leads to greater job satisfaction and motivation for individual auditors.

## Assessing Performance

Younger generations are seeking more immediate performance feedback, so many CAEs have embraced a constant feedback and learning loop. Organizations may move toward outcomes-based work (rather than hours spent at the desk) for measuring performance. Align the contribution of individual internal auditors with departmental KPIs and balanced scorecard elements.

## Treating Success

A suitable rewards system embraces extrinsic rewards (such as bonuses) and intrinsic rewards (such as recognition, more challenging work, and mentoring). There are also many creative (and fun!) activities that you can use to increase employee engagement through the areas of communication, leadership development, organizational culture, team building, and rewards. Use a variety of approaches to appeal to different generations.

## Conclusion

For an inspiring list of ideas that you can use to motivate your staff, be sure to read **appendix A, “Motivation from A to Z.”** This list was created by asking CAEs from across the world to describe factors that have motivated them the most throughout their careers.

Also, for more detailed information about all of the topics covered in this report, see **appendix B, “Resources.”** This list contains a wide variety of materials, many of which are available for no charge to IIA members, or for a reasonable cost to nonmembers.

Being the leader of an internal audit function is both a challenge and a privilege. Your internal audit function and your organization as a whole will appreciate and benefit from all of the GREAT ways you have learned to motivate your staff.



## Appendix A

# Motivation from A to Z

**C**AEs from across the world were asked to describe the things that have motivated them to operate at an optimal performance level. These are great ideas to think about using to motivate your staff as well.

- A.** Autonomy in the decision-making process, with an ability to resolve difficult situations.
- B.** Being given continual challenges and opportunities to give new and diverse things a go; don't be a "one-trick pony," help by doing something else (charity, non-executive or advisory role, etc).
- C.** Commitment to a "can do" attitude was encouraged, underpinned by a sense of duty and commitment instilled by family.
- D.** Delivering more than expected for the position held.
- E.** Ethical, inclusive, technically strong leadership.
- F.** Fair recognition (according to my development and delivery); being treated fairly and adequately rewarded; with potential for future advancement and recognition.
- G.** "Green-field" situations. (I love starting with a blank sheet of paper.)
- H.** Having great responsibilities and delivering them consistently; a fair day's work for a fair day's pay.
- I.** Informal leadership was encouraged. (I never waited to be a formal leader to help younger and less experienced professionals, both in technical activities and in their career development.)
- J.** Joy in the work I do, the people I help to develop, and the contribution I make to my company; enjoyment in achieving accomplishments.
- K.** Knowledge and experience translated into new situations, gaining experience across business types and in different functions; also successful auditor outplacements into leadership roles.
- L.** Learning opportunities. (In each new project I always asked myself, "What can I learn? What professionals will I deal with? What new techniques will I need to develop?")
- M.** Mentors in my early career who supported and encouraged *and* challenged me.
- N.** "Never letting a chance go by" (taking on challenges that others may be hesitant to do).
- O.** Operating in a growing/changing/fluid environment.
- P.** Positive reinforcement from superiors, peers, external stakeholders, and the team; coupled with personal pride in doing a good job.
- Q.** Quality and improvement focus; encouragement for innovative ideas; celebration for comprehensive and effective implementation of audit recommendations.
- R.** Reasonable tolerance for risk-taking, but being held accountable for outcomes.
- S.** Situations that stretched my abilities, and doing a job that has a wider benefit to society.
- T.** Trust by my leaders in my ability to deliver, and recognition by highest level in organization.
- U.** Undertaking new challenges, which I initially did not know how to do that boosted my career.
- V.** Valuing each employee on their team (powerful leadership learning).
- W.** "Working together in excellence" was a theme I adopted early in my career (the theme captures a strong work ethic, teamwork, and optimal delivery).
- X.** Xenogamy (which means cross-fertilization)—working with diverse multidisciplinary skillsets.
- Y.** You limit your ability to grow if you avoid challenging assignments; solving complex problems.
- Z.** Zero tolerance for bullying and harassment in the workplace.

*Note:* This list is based on responses to the following interview question: Throughout your career, what provided you with the greatest motivation to operate at an optimal performance level?

# Appendix B

## Resources

### Goal Setting

Supplemental Guidance (Practice Guide), Effective Stakeholder Relationships in Public Sector Organizations (under development for release early 2016).

IIA Global Practice Guide, Value of Internal Audit (under development for release mid-2016).

### Retaining Talent

IIA Supplemental Guidance: Practice Guide, Talent Management: Recruiting, Developing, Motivating, and Retaining Great Team Members, December 2015.

Internal Auditing “Rotational” Programs: Opportunities for Internal Audit to Add Value, 2011, The IIA Research Foundation, Esther R. Sawyer Research Manuscript 2011, Rachel L. Bond.

“Shaping Talented Audit Teams,” *Internal Auditor Middle East*, October 2014, [www.INTERNALAUDITOR.ME](http://www.INTERNALAUDITOR.ME).

### Equipping Employees

Internal Audit Capability Model (IA-CM) for the Public Sector (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2009).

The IIA’s Global Internal Audit Competency Framework (Altamonte Springs, FL: The Institute of Internal Auditors, 2013).

IIA Global Practice Guide, Creating an Internal Audit Competency Process (IACP) for the Public Sector (Altamonte Springs, FL: The Institute of Internal Auditors, November 2014).

Culture and the Role of Internal Audit: Looking Below the Surface (Chartered Institute of Internal Auditors, UK and Ireland, July 2014).

### Assessing Performance

Mark L. Frigo, *The Balanced Scorecard: Applications in Internal Auditing and Risk Management* (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2014).

Jane Seago, *Delivering on the Promise: Measuring Internal Audit Value and Performance* (Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, 2015).

IIA Career Map, [www.theiia.org/careermap](http://www.theiia.org/careermap).

### Treating Success

Sally-Anne Pitt, *Internal Audit Quality* (Part IV – Internal Audit Staffing) (New Jersey: John Wiley and Sons, 2014).

# About the Author

**B**ruce Turner, AM, CRMA, CGAP, CISA, CFE, retired in 2012 after five years as chief internal auditor at the Australian Taxation Office, one of the largest public sector organizations in Australia. He previously held CAE roles at commercial service delivery organizations—Integral Energy Australia and StateRail. Bruce is credited with inspiring GREAT internal audit teams to deliver world-class auditing services.

He has more than 30 years of practitioner and leadership experience in internal auditing, across the financial services (commercial, merchant, and central banking), manufacturing, transport, energy, and government sectors. He has also held independent audit committee roles for more than a decade in a range of organizations, including

construction, health, environment, parklands, local government, infrastructure management, parliamentary services, central government, and not-for-profit. He is immediate past chairman of The IIA's Global Public Sector Committee.

Bruce remains active as an audit and risk committee chairman and company director. He is a member of the IIA–Australia Board and is just the second professional internal auditor in Australia to receive Order of Australia honors. He was appointed a Member (AM) in the Queen's Birthday Honors of 2015 in recognition of his significant service to public administration through governance and risk management practices, and to the profession of internal auditing.

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