

Act now or risk later: reimagining skills assessments in Internal Audit



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A pressing question emerges in the realm of internal audit: Is the intensifying technical capabilities, complexity of risk and demands to Internal Audit (IA) a result of the inability to assess auditors' talents, or are we caught in a whirlwind of evolving skill and knowledge demands coupled with unclear expectations?

IA departments currently face a pivotal question: **Do we possess the necessary skills to effectively execute our audit plan?** As risk landscapes evolve, business complexities grow and emerging technologies are adopted, internal auditors can no longer be perceived as interchangeable, moving from one audit to the next, without a deeper understanding of the business lines they challenge. The urgency for more profound technical expertise and a proactive approach to talent development has never been greater. Consequently, the demand for and significance of skill assessment insights in validating talent capabilities, both internally and in response to regulatory feedback, are rapidly increasing. What was once a routine, check-the-box activity has now become a vital tool utilized across IA functions to demonstrate effective audit coverage.

Organizations are facing major limitations in their current approach to assessing skills. When created in reaction to risk events or regulatory responses, skill assessments lack the ability to evolve with talent requirements, yield meaningful insights or consider broader implications for employee development. As a result, organizations are burdened with the expense and effort of completely rethinking their hastily designed assessments to meet the advancing requirements of auditor expertise. However, leadership should be cautious – as they continue to raise the skill expectations of their employees without incorporating development considerations into their assessment strategy, they risk creating a work environment burdened by skill gaps, low morale and high turnover. This could ultimately undermine the effectiveness and credibility of their audit processes.



Laying the foundation – what is a skills assessment?

Regardless of how skills assessment data is leveraged – planning audit engagements, developing targeted training, preparing audit committee presentations or other initiatives – it’s crucial to grasp its true nature and limitations. This understanding helps prevent falling into the trap of perceived precision.

Let’s ground ourselves in what a skills assessment is and what it is not:

A skills assessment is:

- ▶ An identification **tool that informs** an understanding of the department’s talent and capability **at a point in time**
- ▶ A method that **quantitatively measures** team and individual skills against proficiency ratings that are determined using **informed judgment**
- ▶ A **basis for development** and serves as a foundation for creating tailored learning plans and targeted trainings

A skills assessment is not:

- ▶ A **precise measurement** but rather one of several inputs used to gain a broader understanding of IA talent capabilities
- ▶ A **final verdict** on the department’s ability to execute a capability, as knowledge, experience, tools and processes all impact the outcome of activities
- ▶ A **one-time activity** but part of the ongoing professional development process and should adapt to the evolving business landscape



Skills assessments are designed to provide insights and inform talent capability strategies rather than serve as a stand-alone decision-making tool, as they are one of several pillars of a comprehensive talent portfolio.

While skills assessments are not an exact science and have their limitations, a well-designed approach can achieve much more than simply identifying potential skill gaps. **Here are a few key objectives every IA skills assessment strategy should aim to achieve:**

Inform department strategies

- ▶ **Risk mitigation:** Identify and mitigate risks associated with skill deficiencies that could impact operational efficiency or regulatory compliance.
- ▶ **Strategic alignment:** Align skill sets and knowledge with the organization’s strategic priorities, goals and values. Leverage results to empower decision-making (e.g., inform talent acquisition, training programs).
- ▶ **Meaningful data:** Pinpoint developmental opportunities within the department through a refined focus on relevant skills by team’s scope of work.

Mitigate knowledge gaps

- ▶ **Tailored learning plans:** Equip employees with individualized learning plans and clear proficiency expectations (e.g., trainings, certifications, stretch opportunities).
- ▶ **Targeted development:** Leverage results to continuously update and refine learning and development programs, ensuring they remain aligned with evolving skill demands.
- ▶ **Resource allocation:** Determine where to allocate resources and at what level/role to assign tasks to provide sufficient coverage of the audit plan.

Enhance employee engagement

- ▶ **Employee commitment:** Cultivate a culture of transparency and shared accountability, encouraging a unified commitment to upskilling and knowledge sharing.
- ▶ **Team dynamics:** Gain a better understanding of the collective skills and knowledge of a team to optimize collaboration, task allocation and project execution.
- ▶ **Career development:** Facilitate the discovery of personal growth opportunities and areas of interest through consistent development conversations and clear expectations.

What organizations need to do next

Although skills assessments are a hot topic, they are just one component of a broader ecosystem of talent and development strategies. These interconnected elements must co-exist for a successful and impactful assessment execution. It's crucial not only for preventing employee disengagement but also for the success of internal audit operations that employees are provided with a clear roadmap to meet the performance expectations set for them. We propose the following key action items to construct this essential roadmap.



Key action items for Internal Audit

- 01 Conduct gap assessment:** Map the current skills inventory to each audit team's scope of work and conduct a gap assessment to identify current capability requirements. Compare findings to industry leading practices to highlight additional areas requiring further enhancement.
- 02 Review assessment approach:** Refine skills assessment strategy, as needed, to ensure the approach is proactive, dynamic and comprehensive for driving meaningful insights (e.g., data collection, skill gap analysis, development plans).
- 03 Clarify skill expectations:** Set skill and knowledge area proficiency expectations by role to provide employees with a clear understanding of what is expected from them pertaining to their scope of work.
- 04 Define roles and responsibilities:** Equip employees with well-defined roles and responsibilities, ensuring each team member understands their specific contributions toward achieving team and department-wide objectives.
- 05 Create competency framework:** Outline the competencies required by role, with clear sample activities to provide skill and knowledge expectations and drive broader development and career discussions.
- 06 Develop learning strategy:** Establish a structured approach to professional development that encourages auditors to stay informed of industry trends, emerging risks and technologies. This framework should include readily available access to training, certifications and knowledge-sharing platforms.
- 07 Establish career pathing:** Offer clear career progression opportunities that recognize and reward the development of specialized knowledge, technical capabilities and continuous learning. This not only motivates auditors to deepen their expertise but also helps retain top talent.
- 08 Implement and manage:** Embed talent development frameworks and approach into daily operations, ensuring it is actively managed and consistently applied to promote accountability and empower employees. Regularly review and update to align with evolving business expectations and objectives.
- 09 Communicate leadership commitment:** Ensure that leadership endorses and actively promotes a culture of learning. Their involvement is crucial in setting the tone and demonstrating the organization's commitment to employee development.

Internal Audit of tomorrow: investing in people

The journey toward enhancing internal audit capabilities is multifaceted and continuous. While skills assessments are a pivotal starting point, they are merely one piece of a larger puzzle that includes a comprehensive talent and development framework. **It is imperative for organizations to recognize that the strength of their IA function lies in the hands of their people.** Investing in the development of auditors not only prepares them to meet the challenges of today but also equips them to anticipate and adapt to the demands of tomorrow. As we look ahead, organizations that prioritize and execute these action items will be well-positioned to navigate the complexities of the business landscape, maintain compliance and drive continuous improvement. Ultimately, the commitment to nurturing talent is what will differentiate a good IA function from a great one.

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