

SPECIAL  
REPORT

# THE 2013 INTERNAL AUDIT COMPENSATION STUDY EXECUTIVE SUMMARY

SEPTEMBER 2013



*A*UDIT *E*XECUTIVE  
— CENTER —

## DISCLAIMER

Copyright © 2013 by The Institute of Internal Auditors (IIA) located at 247 Maitland Ave., Altamonte Springs, Fla., 32701, U.S.A. All rights reserved. Published in the United States of America. Except for the purposes intended by this publication, readers of this document may not reproduce, redistribute, display, rent, lend, resell, commercially exploit, or adapt the statistical and other data contained herein without the permission of The IIA.

## ABOUT THIS DOCUMENT

The information included in this report is general in nature and is not intended to address any particular individual, internal audit function, or organization. The objective of this document is to share information and other internal audit practices, trends, and issues. However, no individual, internal audit function, or organization should act on the information provided in this document without appropriate consultation or examination.

# TABLE OF CONTENTS

Key Findings .....	1
Methodology.....	1
Organization of the Report.....	2
Upward Trend of Salary Increases Appears To Be Leveling Off .....	2
Companies Are Using a Narrower Repertoire of Recruitment and Retention Strategies .....	3
More Responsibility, Technical Aptitude, and Education Correlate with Higher Pay.....	4
Putting It All Together: The New Normal .....	5

# EXECUTIVE SUMMARY

*The 2013 Internal Audit Compensation Study* report summarizes pay practice information for 352 organizations in the United States and 35 organizations in Canada, representing nearly a 25 percent increase in respondents from the 2012 Compensation Study. Of these, 228 U.S. organizations and 27 Canadian organizations provided salary data for 1,770 internal audit professionals. Salary and pay practice data were collected directly from employers rather than individual internal auditors. Therefore, the results provide current pay practices for the organizations as a whole and for the internal audit profession. The goal of this report is to present relevant information in a clear and concise format to assist internal auditors and employers in assessing current pay practices and to plan for the future.

## KEY FINDINGS

This report, based off the results from 2013 Compensation Study questionnaire, identifies three compensation, recruitment, and retention trends impacting internal auditors in the United States and Canada:

- ✓ The upward trend of base salary increases seen in previous years appears to be leveling off.
- ✓ Compared to previous years, organizations are using a narrower repertoire of recruitment and retention strategies.
- ✓ More responsibility, technical aptitude, and education generally correlate with a higher salary for auditors.

## METHODOLOGY

The 2013 Compensation Study questionnaire was deployed on April 16, 2013, and closed for participation on June 30, 2013. More than 6,280 U.S. and Canadian members were invited to participate in the online survey. Members were encouraged to invite their human resources departments to respond to the questionnaire. Respondents were asked to complete two surveys. The first survey gathered information about the organization and its pay practices; the second asked respondents to provide branch information and individual-level salary data.

Data received were reviewed and cleaned to ensure responses were entered appropriately and interpreted correctly. After survey responses were compiled into formats suited for analysis, results were presented in tables, charts, and commentary form. Survey data were collected over the summer to be accurate as of June 2013. In some cases, the data in the tables and charts did not equal 100 percent due to rounding.

Canadian data reported in U.S. dollars was converted to Canadian dollars at the exchange rate posted for July 16, 2013 (i.e., 1.0392 CAD per 1.00 USD). Hence, all values reported in the survey results are in the currency of the country for which the data is reported.

## ORGANIZATION OF THE REPORT

The report is arranged in multiple sections:

- ✓ Demographic information about the employers responding to the survey.
- ✓ Salary trends and current retention strategies.
- ✓ Factors impacting salary trends.
- ✓ Salary results for internal auditor positions (refer to Appendices A and B).

The salary results section provides statistics derived from actual pay rates reported for internal auditors in 10 surveyed positions. Information is organized to provide average and median rates, as well as 10th, 25th, 75th, and 90th percentiles. Reports for each of the 10 positions are organized similarly and provide results for total cash compensation as well as base pay, bonus, and other cash compensation (refer to Appendix C for role descriptions). In addition, salary rates analyses are provided based on region, staff and organization sizes, certifications, experience, education, and industry. This section is separated into U.S. and Canadian survey results.

A list of the organizations represented in *The 2013 Internal Audit Compensation Study* is included as Appendix D, and a copy of the complete questionnaire is provided as Appendix E.

## UPWARD TREND OF SALARY INCREASES APPEARS TO BE LEVELING OFF

While the study shows that the percentage of U.S. and Canadian employers offering base salary raises to some of their employees continues to increase, there is some indication that this trend may be leveling off. This year, the percentage of U.S. organizations awarding pay raises to 90 percent or more of internal auditors remains stable at 72 percent, which is the same as in 2012 and only 1 percent higher than in 2011. In Canada, the percentage of organizations that report awarding salary increases to 90 percent or more of internal auditors fell 1 percent to 82 percent in 2012, although this is still up 8 percent from 2011.

In contrast, the number of organizations that are not awarding salary increases to any internal auditors continues to decrease. In the United States, the number of organizations that did not award salary increases to any internal auditors decreased to 12 percent, down 2 percentage points from 2012 and down 6 percentage points from 2011. Similarly, the number of Canadian organizations that did not award salary increases to any internal auditors decreased to only 3 percent, down 4 percentage points from 2012 and down 6 percentage points from 2011.

In both the United States and Canada, the magnitude of salary increases has been relatively stable over the last three years, but some differences indicate a more positive picture for internal auditors than nonaudit employees. A higher percentage of organizations are granting internal auditors salary increases of 4 percent or higher when compared to salary increases for nonaudit employees. For example, among the U.S. organizations surveyed, 16 percent granted

salary increases of 4 percent or more to their internal auditors in 2013, compared to 9 percent that granted increases of this magnitude to nonaudit employees. Similarly, among the Canadian organizations surveyed, 23 percent granted salary increases of 4 percent or more to their internal auditors in 2013, compared to 16 percent that granted increases of this magnitude to nonaudit employees. Compared to 2012, the number represents an increase of 6 percent for U.S. auditors receiving a pay increase of 4 percent or higher. For Canadian internal auditors, the number represents a decrease of 8 percent from 31 percent reported in 2012.

A **HIGHER PERCENTAGE** of organizations are granting internal auditors salary increases of 4 percent or higher when compared to salary increases for nonaudit employees.

Looking into the future, neither U.S. nor Canadian respondents anticipate any change to the level of pay adjustments in the coming 12 months. The majority of organizations surveyed from both countries expect to grant increases between 2 and 4 percent in 2014. At the same time, fewer organizations than in previous years are planning to award raises at either the low end (1–1.9 percent) or high end (6+ percent) of the spectrum. However, of the organizations that are planning to award raises to internal auditors next year (91 percent in both the United States and Canada), the majority are looking to award these increases to 100 percent of their internal audit workforce. For instance, 68 percent of U.S. organizations surveyed expect to award 100 percent of their audit staff with salary increases and 79 percent expect to do so in Canada.

## COMPANIES ARE USING A NARROWER REPERTOIRE OF RECRUITMENT AND RETENTION STRATEGIES

This year's study found that employers are using fewer strategies to attract and keep talent than last year. The results of the survey show significant drops in use of several recruitment/retention strategies without increasing use of other strategies. In the United States, paid time off is still the No. 1 retention and recruitment strategy according to 88 percent of U.S. participants, which remains a consistent result since the first Compensation Study in 2008. Other top strategies, in ranked order, are: travel reimbursement (82 percent), wellness programs (74 percent), tuition reimbursement (73 percent), recognition programs (63 percent), and flexible work schedules (52 percent). The following recruitment and retention strategies have notably decreased in popularity since 2012: automobile reimbursement (down 7 percent), performance bonus (down 10 percent), tuition reimbursement (down 9 percent), and telecommuting (down 7 percent).

Canadian respondents identified similar recruitment and retention strategies for their audit staff. According to Canadian survey participants, top strategies, in ranked order, are travel reimbursement (86 percent), tuition reimbursement and recognition programs (both 81 percent), performance bonus and wellness programs (both 75 percent), and paid time off (67 percent).

## MORE RESPONSIBILITY, TECHNICAL APTITUDE, AND EDUCATION CORRELATE WITH HIGHER PAY

As in previous years, the 2013 Compensation Study shows internal auditors with more experience are generally earning higher salaries. Aside from years of professional experience, more responsibility, technical expertise, education, and certification also correlate with higher salaries in this study. Other factors that influence salaries for internal auditors include organizational factors and geographic location.

In this study, more responsibility for audit professionals meant higher salaries — as measured by the median salary within a group. For internal auditors in both the United States and Canada, the median salary rose with each role — audit intern, auditor, senior auditor, audit manager, audit director, and chief audit executive.<sup>1</sup> For example, across all organizations surveyed this year, the median salary for audit directors was 137 percent more than the median salary for auditors.

This year, as in previous years, specialization links to higher pay, but there was no significant difference in median salary among specialty areas. In the United States and Canada, the median salary of internal auditors specializing in IT; fraud and forensics; and environmental, health, and safety were all significantly higher than general financial and operational auditors.

Level of education is another factor that correlates with higher base salaries for internal auditors. For instance, U.S. organizations in this study reported that internal auditors with master's degrees earned an average of 15 percent more than internal auditors with bachelor's degrees. This has jumped up from 8 percent reported 2012. At the same time, there has been a steady decrease in the percentage of auditors holding master's degrees in the United States — down 10 percent from 39 percent in 2011. In Canada, there has been a similar shift in auditors with master's degrees from 20 percent in 2011 to 13.6 percent in 2012 and 14.4 percent in 2013; however, the difference in salary for Canadian auditors with master's degrees has not increased.

Professional certifications were associated with higher salaries for internal auditors in this year's study. Responses from both the United States and Canada indicated that internal auditors with certifications in one or more areas earned more than noncertified internal auditors. In 2013, the median income of noncertified internal auditors in the United States was US \$29,000 less than that of internal auditors holding a professional designation. Likewise, Canadian internal auditors without any certifications reported salaries US \$25,000 less than their colleagues with one or more certifications.

Both advanced degrees and professional certifications can demonstrate dedication to the profession and to one's career. In addition, ongoing professional training is essential to help internal auditors stay informed on the changes in the profession. This year's Compensation Study reports an increase in the percentage of organizations that

---

<sup>1</sup> Due to the smaller sample size, Canadian roles were grouped as follows: Audit Intern; Auditor/Senior Auditor (includes IT); Audit Manager/Director (includes IT); Chief Audit Executive.

allocated time to training among U.S. respondents and a decrease among Canadian respondents. Compared to last year, 6 percent more U.S. organizations allocated time for training than did in 2012. While in Canada, 10 percent fewer organizations allocated time for training than in 2012.

## PUTTING IT ALL TOGETHER: THE NEW NORMAL

The 2013 Compensation Study documents some notable shifts in compensation and recruitment/retention strategies, indicating that organizations are being more conservative this year than in other recent recovery years. More specifically, compensation practices, which were on a two-year growth trajectory, appear to be tapering off in 2013. At the same time, the majority of organizations are reining in some of the ultrahigh salary increases with predictions that increases in 2014 will fall between 2 and 4 percent. Additionally, the narrowing repertoire of recruitment and retention strategies may be a proverbial “tightening of the belt” in response to continued economic uncertainty or perhaps in anticipation of expected change. Individually these variations do not point to a trend, but collectively they suggest that the best predictions for the future are conservative.

At the same time, the majority of **ORGANIZATIONS ARE REINING IN** some of the **ULTRAHIGH SALARY INCREASES** with predictions that increases in 2014 will fall between 2 and 4 percent.

Predictions aside, factors that consistently correlate with higher salaries for individual auditors are education level and specialization. Internal auditors holding a master’s degree and/or professional certification, on average, earn higher salaries than internal auditors with no certifications or graduate school. While advanced degrees and professional certifications cannot substitute for skill and experience, they can differentiate professionals that are otherwise equal, thereby creating greater opportunity for some. Specialization can have the same differentiating effect as audit departments look at how best to allocate their resources. Should salary growth continue to level off, pursuing and maintaining additional professional development or specialization is a practical way to maximize career potential.