

The Swing of the Pendulum: IT Audit During the Recovery



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The Employment Pendulum

Two factors at Play:

Supply and Demand



Calvin and Hobbes

by WILSON

15 BUCKS A GLASS?!

THAT'S RIGHT! WANT SOME?



HOW DO YOU JUSTIFY CHARGING 15 DOLLARS?!

SUPPLY AND DEMAND.



WHERE'S THE DEMAND? I DON'T SEE ANY DEMAND!

THERE'S LOTS OF DEMAND!



YEAH?

SURE! AS THE SOLE STOCKHOLDER IN THIS ENTERPRISE, I DEMAND MONSTROUS PROFIT ON MY INVESTMENT!



AND AS PRESIDENT AND CEO OF THE COMPANY, I DEMAND AN EXORBITANT ANNUAL SALARY!



AND AS MY OWN EMPLOYEE, I DEMAND A HIGH HOURLY WAGE AND ALL SORTS OF COMPANY BENEFITS! AND THEN THERE'S OVERHEAD AND ACTUAL PRODUCTION COSTS!



BUT IT LOOKS LIKE YOU JUST THREW A LEMON IN SOME SLUDGE WATER!

WELL, I HAVE TO CUT EXPENSES SOMEWHERE IF I WANT TO STAY COMPETITIVE.



WHAT IF I GOT SICK FROM THAT?

"CAVEAT EMPTOR" IS THE MOTTO WE STAND BEHIND! I'D HAVE TO CHARGE MORE IF WE FOLLOWED HEALTH AND ENVIRONMENTAL REGULATIONS.



YOU'RE OUT OF YOUR MIND. I'M GOING HOME TO DRINK SOMETHING ELSE.

SURE! PUT ME OUT OF A JOB! IT'S YOU ANTI-BUSINESS TYPES WHO RUIN THE ECONOMY!



I NEED TO BE SUBSIDIZED



Great Recession of 2007 - 2010

Different from previous recessions

Earlier recessions barely affected audit

2001 Recession – Offshoring IT functions



2002 – Sarbanes-Oxley Act:

Audit Departments Stretched Thin

IT Auditors pulled into creating tests and conducting tests

IT people were in large supply without a great demand: SOX gave IT people new jobs

IT people pulled into SOX testing and documenting controls and doing controls testing

Public Accounting and Consulting Firms Expanded greatly due to:

SOX and controls work

Outsourcing and co-sourcing audit

ERP Consulting



Demand for IT auditors at an all-time high:

Companies sponsoring H1-B candidates from around the world

Universities developing audit and IT audit curricula

Salaries escalating

Rotation programs for promoting auditors into other areas of companies proliferating



2007

Companies were developing their own SOX and compliance teams

Demand for external consultants diminishing

Internal audit had more time to perform audits



Wall Street Financial Crisis

- ◆ Companies slam on the brakes:
- ◆ Hiring slows to a trickle
- ◆ Layoffs begin with Big 4 and consulting firms
- ◆ Layoffs hit internal audit departments
- ◆ 2nd Tier Accounting / Consulting firms hire the laid off Big 4 people



2008 – 2009:

- ◆ Cutting business lines, trimming whole departments
 - ◆ More emphasis on keeping the most productive employees / letting the others go
 - ◆ Outsourcing internal audit departments
 - ◆ Cutting back on Outsourcing, Consultants and Contractors

Big 4 cutbacks continue
2nd Tier Firms start layoffs



Audit no longer a “safe” profession

IT Auditors no longer in great demand

Supply of IT Auditors exceeds the demand



Then...



...Now



Ripple effect on universities

Students changing majors to things that interest them

Campus interviewing cut back

Greatly diminished hiring



The H1-B Scenario:

Previously the biggest companies hiring H1-B workers were the Big 4 firms

Sponsorships for foreign workers dry up

International students seek education elsewhere

Students and H1-B workers
Not likely to return to USA –
A great Brain Drain



2010

Number of pure IT jobs staggeringly low

More offshoring of IT functions to inexpensive cultures:
the Phillipines and Mexico

IT Auditors are based around the globe and are paid local
prevailing wages



Oversupply of People with Generic Skills

- ◆ SOX testers lack other needed skills
- ◆ IT people who were brought in to do SOX testing are not auditors
- ◆ Less hiring out of college
- ◆ Less willingness to train and develop people



The Future?



The Great Recession Is Over!

But The Recovery is slow going

Hiring is not
“business as usual”

Companies are very
demanding about who
they will hire



The New Reality

Audit budgets being carefully scrutinized

Emphasis on “Sure you have the skills we need, but so do 50 other people. What can you bring to our department?”



Companies need people with business knowledge AND technical skills: Operational, Strategic, Compliance

Outsourcing Is Back Big Time!

Consulting and Advisory Service firms are positioning themselves for new offerings

Budget-conscious audit departments who cannot find the talent they want get outsourced

New Roles for Audit Departments

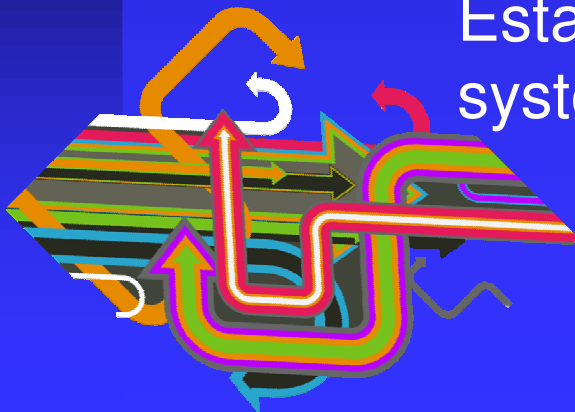
Getting back to auditing instead of SOX

Ensuring that corporations are not exposed to unexpected and poorly controlled risks

Enhanced fraud prevention reviews

Shrewder utilization of data analytics

Establishing a workable continuous monitoring system



The More Marketable IT Auditor

“We want to hire people with more ability to accomplish a broader range of responsibilities”

For example: A Big 4 CPA with experience in a specific industry AND specialization in product knowledge, market niche or technology deployment.

More emphasis on integrated Skill sets: “If a person is purely an IT audit, where can we promote in the future when all our IT is out of the US?”



Supply and Demand

Less demand for generic IT audit skills

More demand for specialized technical skills:

Reviewing enterprise resource planning (ERP) portals, firewalls and penetration testing combined with outstanding communication skills



Can you build a business case for controls which can be communicated inside and outside of audit?

Certifications – a Necessity!

You must possess a certification to be even be considered

CPA: To lead the audit function



CISA: Breadth of knowledge in audit, risk management and technology controls

Six Sigma: Highly regarded by prestigious companies

Additional Worthwhile Certifications

CISM: Certified Information Security Manager

**CGEIT: Certified in the Governance of
Enterprise IT**

**CISSP: Certified Information Systems Security
Professional**

CFE: Certified Fraud Examiner

**CRisc: Risk and Information Systems Control
Grandfathering people right now!**

What about an MBA?

More emphasis on business knowledge

“Business people have less time. They will only listen to people who can demonstrate that they are relevant and credible.” – Big 4 Director in Advisory Services

Larry Harrington, Raytheon, hires between a half and two-thirds of his new auditors from within the business.

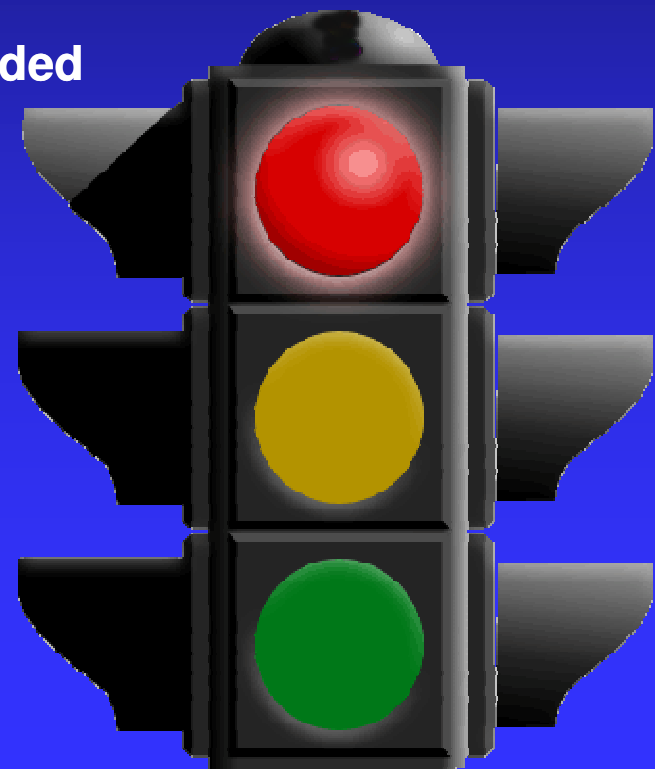
The cost of acquiring an MBA vs. enhanced salary?



What happens next if you're unemployed?

Nothing unless you make it happen!

- ◆ **Develop a personal marketing plan**
- ◆ **Learn to discuss all the value-added services you have provided in the past**
- ◆ **Be prepared to discuss how you have made the most of an opportunity, even being laid off**



Other Steps to Take:

Volunteer!

Improve your social circles -- visit audit departments where you have worked to find out what has changed

Take an active role in ISACA

Maintain your certifications



Looming Auditor Scarcity?

WSJ June 2010: The largest increase in jobs between 2008 and 2018 is expected in Accountants and Auditors:

279,400 New Jobs*

*Bureau of Labor Statistics

Attracting and retaining talented auditors while staying on budget may be the largest challenge of the next several years.

