PEER REQUEST

Staff Rotation Programs for Internal Audit
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SUMMARY

Do staff rotation programs have a positive impact on internal audit and the organization as a whole? According to many CAEs, the answer is yes.¹ This Peer Request explored four approaches to talent and rotation programs:

1. **Internal auditors rotating out.** Internal audit staff rotate out to other departments for temporary assignment.
2. **Other employees rotating in.** Employees from other departments rotate into internal audit for temporary assignment.
3. **Internal auditors rotating out for career development.** Internal audit transfers some career auditors to other departments with the intention of returning them to internal audit later, as part of a career development plan.
4. **Internal audit as a training ground for other departments.** Internal audit hires some staff with the plan of developing their company knowledge through working in internal audit before transferring them to other departments permanently.²

About 130 CAEs responded to the survey, providing a well-rounded look at large and small organizations across a variety of industries. The key findings are described in the Summary section, followed by separate sections with figures and tables. In addition, the appendices provide the CAEs’ open-ended comments, organized by industry and internal audit function size.³

**Rotation activities**

**Informal activity is more common than formal programs.**
- On average 41% of all respondents said they use formal or informal rotation (Figure 1).
- Informal rotation activity was much more common than formal programs (overall 32% vs. 9%) (Figure 1).
- Larger functions were more likely to have staff rotation programs than smaller functions (67% of the largest functions had programs, compared to 17% in the smallest functions) (Figure 1).

**Perceived benefit is high.**
- A high percentage of respondents said internal audit staff rotation was “somewhat” or “very” beneficial (82%) (Figure 2).
- Among those with no rotation program, 13% chose “not applicable/not sure” when asked about perceived benefit (Figure 2).
- Only 5% said rotation was “minimally beneficial” (Figure 2).
- Those with rotation programs were significantly more likely to say programs are “very beneficial” (68%) compared to those without (39%) (Figure 3).

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¹. This Peer Request was made available to AEC members from September 17–20, 2019.  
². It should be noted that approach 4 is not strictly a rotation program since those leaving the internal audit function do not rotate back.  
³. Comments were lightly edited for clarity and consistency.
Rotation or training ground is used by more than half of respondents.

- Similar levels of usage (about 4 out of 10) were reported for using internal audit as a training ground, rotating internal auditors out, and rotating other departments’ employees in (Figure 4).
- Only 2 out of 10 said they transfer career auditors out for career development (Figure 4).
- Among all respondents, about 63% said they do some form of rotation or use internal audit as a training ground (Figure 4).

Larger organizations are more involved in rotation and training ground.

- Use of internal audit as a training ground was most prevalent for those with internal audit staff sizes of 6 to 10. (See the gold line in Figure 5.)
- The largest internal audit functions routinely rotate internal audit staff out (64%) or rotate other departments’ employees in (54%), but these activities are rare among the smallest organizations (about 25%). (See blue lines in Figure 5.)
- Across all functions, less than 20% said they transfer career auditors out for career development. But the practice is fairly common for the largest organizations (43%). (See the gray line in Figure 5.)

Manufacturing organizations are significantly more involved in rotation than other industries.

- Respondents from manufacturing had significantly higher levels of activity for three out of the four approaches addressed in the survey, compared to the average of those from other industries (Figure 6).
- For rotating external employees through internal audit, manufacturing had 85% participation compared to 45% for all other industries (almost double) (Figure 6).
- Those in manufacturing were also significantly more likely to perceive rotation programs as very beneficial (80%), compared to the average of all other industries (51%) (Figure 7).

Finance and insurance organizations are similar to the average of all other industries for participation in rotation programs and training ground.

- When comparisons were made between finance and insurance and the average of all other industries, the differences were not statistically significant.
- For example, finance and insurance had 31% participation for rotating external employees through internal audit, compared to 43% for the average of all other industries, but the difference was not statistically significant (Figure 8).
- Finance and insurance make up 40% of the respondent base (Figure 11).
- Response rates from other industries were too small for meaningful comparisons (Figure 11).
Benefits and downsides

CAEs were asked to “briefly describe the benefits and/or downsides of an internal audit staff rotation program in relation to your organization.” The following themes emerged:

Benefits: Knowledge sharing and talent development

Many respondents enthusiastically described the benefits of staff rotation and use of internal audit as a training ground. Frequently cited benefits were increased business knowledge, improved understanding of controls, and better talent management (Table 1).

Downsides: Training effort and disruption for internal audit activity

Training effort clearly emerged as the primary downside for rotation activities, according to survey respondents. Other concerns were disruption to internal audit operations, talent management complications, and potential impairment to objectivity (Table 2).

Obstacles and advice: More difficult for small functions; need to maintain objectivity

While most respondents consider rotation activity to be beneficial, they also cited obstacles to its implementation, particularly small size of the internal audit function and lack of cooperation from other parts of the organization (Table 3).

See the section titled CAE Insights for more information.
INVOLVEMENT IN ROTATION ACTIVITIES

Formal and informal rotation

- On average 41% of all respondents said they have a formal or informal rotation program (Figure 1).
- Informal internal audit staff rotation was much more common than formal programs (overall 32% vs. 9%) (Figure 1).
- Larger functions were more likely to have staff rotation programs than smaller functions (67% in the largest functions had programs, compared to 17% in the smallest functions (Figure 1).

Figure 1: Existence of Formal and Informal Staff Rotation (Compared to Internal Audit Function Size)

<table>
<thead>
<tr>
<th>Formal rotation program</th>
<th>Informal rotation activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>42% total</td>
<td>58% total</td>
</tr>
<tr>
<td>17% total</td>
<td>93% total</td>
</tr>
<tr>
<td>32% total</td>
<td>68% total</td>
</tr>
<tr>
<td>33% total</td>
<td>67% total</td>
</tr>
<tr>
<td>48% total</td>
<td>52% total</td>
</tr>
<tr>
<td>41% total</td>
<td>59% total</td>
</tr>
</tbody>
</table>

Note: Q1: Do you have an internal audit staff rotation program at your organization? Response options were “formal rotation program,” “informal rotation program,” “no rotation activity,” “other,” and “not applicable/not sure.” “Other” and “not applicable” were not included in the analysis. n = 127.
Perceived benefit

- A high percentage of respondents said internal audit staff rotation was “somewhat” or “very” beneficial (82%) (Figure 2).
- Among those with no rotation program, 13% chose “not applicable/not sure” when asked about perceived benefit (Figure 2).
- Only 5% said rotation was “minimally beneficial” (Figure 2).
- Those with rotation programs were significantly more likely to say programs are “very beneficial” (68%) compared to those without (39%) (Figure 3).

**Figure 2: Perceived Benefit of Staff Rotation**

- Not applicable/not sure: 13%
- Minimally beneficial: 5%
- Somewhat beneficial: 31%
- Very beneficial: 51%

**Figure 3: Perceived Benefit of Rotation Programs Compared to Use of Rotation Programs**

- Formal or informal rotation program: 68% Very beneficial, 28% Somewhat beneficial, 4% Minimally beneficial, 5% Not applicable/not sure
- No rotation activity: 39% Very beneficial, 33% Somewhat beneficial, 5% Minimally beneficial, 23% Not applicable/not sure

Note: Q6: In your opinion, how beneficial are internal audit staff rotation programs? n = 132.

Note: Q6: In your opinion, how beneficial are internal audit staff rotation programs? Compared to Q1: Do you have an internal audit staff rotation program at your organization? n = 131.
Rotation approaches

- Similar levels of usage (about 4 out of 10) were reported for using internal audit as a training ground, rotating internal auditors out, and rotating other departments' employees in (Figure 4).
- Only 2 out of 10 said they transfer career auditors out for career development (Figure 4).
- Among all respondents, 63% said they do some form of rotation or use internal audit as a training ground (Figure 4).  

Figure 4: Use of Staff Rotation and Internal Audit as Training Ground

- **Internal audit is a training ground for employees who transfer out permanently**  
  45%
- **Internal audit staff rotate out to other departments**  
  43%
- **Other employees rotate into internal audit**  
  37%
- **Career auditors transfer out for career development**  
  20%
- **Respondent answered “yes” to at least one of the methods**  
  63%

*Note: Q2: Do you rotate staff out of internal audit and into other departments? Q3: Do staff from other departments rotate into internal audit? Q4: Does internal audit hire some staff with the plan of developing their knowledge through working in internal audit and then transferring them into other departments permanently? Q5: As part of a career development plan, do you transfer some career auditors to other departments with the intention of returning them to internal audit later? Choose all that apply. n = 129.*

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4. About a third of respondents who said they had “no rotation activity” participated in internal audit as a training ground. This stands to reason because using internal audit as a training ground is not technically a rotation program because the employees do not return to internal audit.
Rotation and size

- Use of internal audit as a training ground for employees who transfer out permanently was most prevalent for those with internal audit staff sizes of 6 to 10 (57%). (See the gold line in Figure 5.)
- The largest internal audit functions routinely rotate internal audit staff out (64%) or rotate other departments’ employees in (54%), but these activities are rare among the smallest organizations (about 25%). (See the blue lines in Figure 5.)
- For most functions, less than 20% said they transfer career auditors out for career development. But the practice is fairly common for the largest organizations (43%). (See the gray line in Figure 5.)

Figure 5: Use of Staff Rotation and Internal Audit as Training Ground (Compared to Internal Audit Function Size)

Note: Q2: Do you rotate staff out of internal audit and into other departments? Q3: Do staff from other departments rotate into internal audit? Q4: Does internal audit hire some staff with the plan of developing their knowledge through working in internal audit and then transferring them into other departments permanently? Q5: As part of a career development plan, do you transfer some career auditors to other departments with the intention of returning them to internal audit later? Choose all that apply. n = 129.
Rotation in manufacturing

- Respondents from manufacturing had significantly higher levels of activity for three out of the four approaches addressed in the survey (Figure 6).
- For rotating external employees through internal audit, manufacturing had 85% participation compared to 45% for all other industries (almost double) (Figure 6).
- Those in manufacturing were also significantly more likely to perceive rotation programs as very beneficial (80%), compared to the average of all other industries (51%) (Figure 7).

**Figure 6: Manufacturing's Use of Staff Rotation and Internal Audit as a Training Ground**

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing</th>
<th>All other industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other employees rotate into internal audit</td>
<td>85%</td>
<td>45%</td>
</tr>
<tr>
<td>Internal audit staff rotate out to other departments</td>
<td>74%</td>
<td>44%</td>
</tr>
<tr>
<td>Internal audit is a training ground for employees who transfer out permanently</td>
<td>61%</td>
<td>38%</td>
</tr>
<tr>
<td>Career auditors transfer out for career development</td>
<td>24%</td>
<td>21%</td>
</tr>
</tbody>
</table>

*Note: Q2: Do you rotate staff out of internal audit and into other departments? Q3: Do staff from other departments rotate into internal audit? Q4: Does internal audit hire some staff with the plan of developing their knowledge through working in internal audit and then transferring them into other departments permanently? Q5: As part of a career development plan, do you transfer some career auditors to other departments with the intention of returning them to internal audit later? Choose all that apply. n = 129.*

**Figure 7: Manufacturing Industry Perceived Benefit of Staff Rotation**

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing</th>
<th>All except manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very beneficial</td>
<td>80%</td>
<td>51%</td>
</tr>
<tr>
<td>Somewhat beneficial</td>
<td>15%</td>
<td>31%</td>
</tr>
<tr>
<td>Minimally beneficial</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Not applicable/ not sure</td>
<td>5%</td>
<td>13%</td>
</tr>
</tbody>
</table>

*Note: Q6: In your opinion, how beneficial are internal audit staff rotation programs? n = 131.*
Rotation in finance and insurance

- Finance and insurance organizations are similar to the average of all other industries for participation in rotation programs and training ground.
- When comparisons were made between finance and insurance and the average of all other industries, the differences were not statistically significant.
- For example, finance and insurance had 31% participation for rotating external employees through internal audit, compared to 43% for the average of all other industries, but the difference was not statistically significant (Figure 8).
- Finance and insurance make up 40% of the respondent base (Figure 11 in Demographics).
- Response rates from other industries were too small for meaningful comparisons (Figure 11 in Demographics).

![Figure 8: Finance and Insurance's Use of Staff Rotation and Internal Audit as Training Ground](image)

Note: Q2: Do you rotate staff out of internal audit and into other departments? Q3: Do staff from other departments rotate into internal audit? Q4: Does internal audit hire some staff with the plan of developing their knowledge through working in internal audit and then transferring them into other departments permanently? Q5: As part of a career development plan, do you transfer some career auditors to other departments with the intention of returning them to internal audit later? Choose all that apply. \( n = 50 \) for finance and insurance. \( n = 75 \) for all other industries.
Benefits

Many respondents enthusiastically described the benefits of staff rotation and internal audit as a training ground. Frequently cited benefits were increased business knowledge, improved understanding of controls, and better talent management (Table 1). Featured comments for each topic are provided beneath Table 1. For the full text of the comments, see the appendices, which are organized by internal audit function size.

Table 1: Benefits of Internal Audit Rotation Programs

<table>
<thead>
<tr>
<th>Benefits for internal audit staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>• More risk awareness</td>
</tr>
<tr>
<td>• New perspectives</td>
</tr>
<tr>
<td>• Wider view of the organization</td>
</tr>
<tr>
<td>• A more customer-centric view of auditing</td>
</tr>
<tr>
<td>• Increase knowledge of the business</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits for other departments' employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase awareness of controls</td>
</tr>
<tr>
<td>• Improve understanding of controls</td>
</tr>
<tr>
<td>• Enhance application of controls</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Professional development in general</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Career development</td>
</tr>
<tr>
<td>• Exposure to other business unit operations</td>
</tr>
<tr>
<td>• Develop mutual respect</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Talent management for the organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Selling point for recruiting and developing personnel</td>
</tr>
<tr>
<td>• Retention of superior talent</td>
</tr>
<tr>
<td>• Employee motivation</td>
</tr>
<tr>
<td>• Internal audit becomes a “talent pool,” talent “pipeline,” development destination</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits for other departments' employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Develop “control disciples” who will be advocates for internal audit in their departments</td>
</tr>
</tbody>
</table>

Benefits — Featured comments

Benefits for internal audit staff

“Career auditors gain new perspective when they work in a functional area and become more effective audit team members when they return to audit. Rotating people into and then out of audit builds better risk management skills.” [Manufacturing]

“Internal audit benefits from rotation by gaining business knowledge to add more value during audits.” [Finance and insurance]
“When an auditor moves into operations, they bring a strong control culture with them that ultimately improves the control environment in the new area.” [Finance and insurance]

“Internal audit creates financial talent for the organization, who grow rapidly as professionals because they know the organization inside out. They have a good reputation and can build on the network constructed during their time in audit. They are living examples that rotational programs work.” [Manufacturing]

“Rotating out of internal audit after two to three years provides the business with individuals who have more comprehensive business knowledge.” [Finance and insurance]

Benefits for other departments’ employees

“Those who rotate into internal audit gain a better understanding of controls, which can be shared with the organization when they rotate back out.” [Finance and insurance]

“When we had someone rotate into internal audit, those audit areas grew in maturity significantly, and we are still benefitting a couple of years later.” [Professional, scientific, and technical services]

“We are setting up a rotational program now using individuals from an internal management training program on operational audits so they can learn more about various facets of the business.” [Manufacturing]

“The strong business knowledge brought in by business staff helps us perform effective operational audits.” [Manufacturing]

Professional development in general

“The primary benefit is the knowledge that the individual gains from the rotation. This can be very helpful to guide risk decisions made by internal audit.” [Finance and insurance]

“The majority of our staff rotation assignments have been with the company's technology and information security teams. We’ve also done rotational exchange assignments between internal audit and technology. Our rotation assignments have typically been for 4 to 6 months.” [Public administration]

“For internal auditors, 'line' experience is one of the best teaching tools and experience-builders they can receive. Working outside of internal auditing greatly enhances their professional development.” [Transportation and warehousing]

Talent management for the organization

“I believe that our proposed plan to rotate staff in our organization will create value both for the organization and for internal audit. This effort will support the knowledge transfer and skill development tasks outlined in the three-year strategic plan for internal audit. We conducted a similar survey in the organization to see whether departments and staff would be interested and willing to participate in a rotation program, and we received positive feedback.” [Transportation and warehousing]

“Our formal rotational program consists of a three-year rotation for CPA students through audit and finance. We also have a central resource pool that rotates across internal audit.” [Finance and insurance]

“I hire future controllers into the organization. They are usually fairly inexperienced staff (one to three years in public accounting) who start in audit so they can help me and the internal audit managers get through Sarbanes-Oxley 404 testing and do a bunch of operational audits for one to two years….. This path…sets them up to be very successful controllers when they move to an operating location.” [Administrative, support, waste management, remediation services]
Downsides

Training effort clearly emerged as the primary downside for rotation activities, according to survey respondents. Other concerns were disruption to internal audit operations, talent management complications, and potential impairment to objectivity (Table 2). Featured comments for each theme are provided beneath Table 2. For the full text of the comments, see the appendices, which are organized by internal audit function size.

Table 2: Downsides of Internal Audit Rotation Programs

<table>
<thead>
<tr>
<th>Training effort</th>
<th>Disruption to internal audit operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Difficulty of teaching non-career auditors how to audit</td>
<td>• Disruption to normal internal audit activity</td>
</tr>
<tr>
<td>• Steep learning curve for new staff</td>
<td>• Inefficiencies in internal audit operations</td>
</tr>
<tr>
<td>• Resources and time needed to train those rotating in</td>
<td>• May compromise the quality of audit</td>
</tr>
<tr>
<td>• Expensive/time-consuming to be a “corporate trainer”</td>
<td>• Rotated staff may have “middling” commitment</td>
</tr>
<tr>
<td>• Large amount of time spent training rotational staff who only stay for a short time</td>
<td>• Rotated staff may not have skills or mindset for internal audit documentation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Talent management complications</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Coordination of the rotation program is burdensome.</td>
</tr>
<tr>
<td>• Internal audit can be perceived as a stopover for future employment elsewhere</td>
</tr>
<tr>
<td>• More difficult to develop “bench” strength in internal audit with auditors rotating out permanently</td>
</tr>
<tr>
<td>• Loss of skills in internal audit when experienced staff rotate out</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impairment to objectivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>• There are potential independence and objectivity concerns</td>
</tr>
<tr>
<td>• Potential conflicts of interest</td>
</tr>
</tbody>
</table>

Downsides — Featured Comments

Training effort

“Just when they are trained, they rotate out.” [Public administration]

“The risk is that you are constantly training new auditors, who move on to the business as soon as they are trained and productive. Any rotation program should only be part of the staffing process, not the whole thing.” [Finance and insurance]

“Rotation programs are beneficial to the organization, but detrimental to internal audit. The organization gains employees who have been exposed to the entire organization. Internal audit loses employees with knowledge and is in a constant training mode.” [Real estate, rental, leasing]

Disruption to internal audit operations

“Rotational programs can be really tough with small departments. You have to be willing to make an investment in reduced productivity for periods of time, but it can be a great learning experience.” [Health care and social assistance]

“The risks arise with motivation, i.e., Why did the department send this person to us? Are they simply trying to pass on a poor performer?” [Health care and social assistance]
**Talent management complications**

“Auditors-in-charge who rotate out are difficult to replace with a rotation into internal audit because staff who rotate in have generally no internal audit experience; hence there is a resource gap between rotating in and out.” [Finance and insurance]

**Potential impairment to objectivity**

“We don’t have a formal rotation program in internal audit mainly due to the challenges related to independence and objectivity.” [Finance and insurance]
Obstacles and advice

While most respondents consider rotation activity to be beneficial, they also cited obstacles to its implementation, particularly the small size of the internal audit function and lack of cooperation from the organization as a whole. Table 3 summarizes comments about the obstacles and advice about implementation of rotational programs, with featured comments below. For the full text of the comments, see the appendices, which are organized by internal audit function size.

<table>
<thead>
<tr>
<th>Table 3: Obstacles and Advice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Obstacles</strong></td>
</tr>
<tr>
<td>Small size of internal audit function or organization</td>
</tr>
<tr>
<td>Impact on budget</td>
</tr>
<tr>
<td>Internal audit staff has high workload to maintain</td>
</tr>
<tr>
<td>All internal audit staff members are new</td>
</tr>
<tr>
<td>Finding business units that want to rotate into internal audit</td>
</tr>
<tr>
<td>Company does not support rotation program</td>
</tr>
<tr>
<td>If there is no formal rotation plan/program, a position must become available for someone to move into or out of audit</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Advice</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>For the program to be successful, the rotation has to be highly targeted so the auditor’s interest is aligned to where they want to be in the company</td>
</tr>
<tr>
<td>Rotation programs need to be of sufficient duration to allow the inbound rotation to acclimate to processes/personnel/schedules/etc.</td>
</tr>
</tbody>
</table>

Obstacles and advice — Featured comments

Obstacles

“Rotation programs are difficult with small teams. We rotate internal auditors out of the department, but we do not rotate staff in from other departments because they lack internal audit skills. Overall, rotation is great for increasing audit knowledge in the business.” [Educational services]

“I have had in depth discussions with senior/executive management about rotation programs, and, to date, management is not willing to take on the extra cost or loss in production when pulling out employees from their regular duties.” [Finance and insurance]

Advice

“Managers in other groups have to see the value, have to be willing to invest enough time to make the experience worthwhile for the employee, their department, and internal audit. Internal audit needs to have a sufficiently developed program to effectively onboard and make the experience successful.” [Finance and insurance]
As noted by some survey respondents, a rotation program can create potential impairment to individual objectivity. Impairment situations generally include self-interest, self-review, familiarity, bias, or undue influence.\(^5\)

This section provides relevant information from the *International Standards for the Professional Practice of Internal Auditing* and the IIA Practice Guide: “Independence and Objectivity.”\(^6\)

### Waiting period

The *Standards* recommend a one-year waiting period before internal auditors assesses an activity where they had previous responsibility:

1130.A1 – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

The Practice Guide: “Independence and Objectivity,” similarly states:

Persons transferred to, or temporarily engaged by, the internal audit activity should not be assigned to audit those activities they previously performed or for which they had management responsibility until at least one year has elapsed. Such assignments are presumed to impair objectivity, and additional consideration should be exercised when supervising the engagement work and communicating engagement results. (Page 22)

### Consulting

At the same time, the *Standards* allow for an internal auditor to provide consulting services without a waiting period, although disclosure to the client may be necessary.

1130.C1 – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2 – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

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Conflicts of interest

Standard 1120 – Individual Objectivity states, “Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.”

The interpretation of Standard 1120 defines conflict of interest as “a situation in which an internal auditor…has a competing professional or personal interest…. A conflict of interest could impair an individual’s ability to perform his or her duties and responsibilities objectively.”

According to the Standards, if objectivity is impaired “in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.” (Standard 1130 – Impairment to Independence or Objectivity. See also substandards 1130.A1, 1130.C1, and 1130.C2, as noted earlier.)
Figure 9: Organization Type

- Publicly traded: 57%
- Privately held: 18%
- Public sector: 14%
- Nonprofit: 9%
- Other: 2%

Note: For which type of organization do you currently work? n = 131.

Figure 10: Internal Audit Function Size

- 1 to 5: 24%
- 6 to 10: 24%
- 11 to 25: 30%
- 26 to 50: 17%
- 51+: 5%

Note: What is the size of your internal audit function? n = 131.
Figure 11: Industry

Finance and insurance: 40%
Manufacturing: 15%
Health care and social assistance: 6%
Transportation and warehousing: 6%
Utilities: 5%
Educational services: 5%
Public administration: 5%
Mining, quarrying, and oil and gas extraction: 4%
Professional, scientific, and technical services: 3%
Arts, entertainment, and recreation: 2%
Real estate and rental and leasing: 2%
Construction: 2%
Management of companies and enterprises: 2%
Other services (except public administration): 2%
Administrative, support, waste management, remediation services: 1%
Information: 1%
Retail Trade: 1%

Note: What is the primary industry classification of the organization for which you work (or your primary client if you are a service provider)? Total may not equal 100% due to rounding. n = 131.
APPENDIX A: COMMENTS FOR STAFF SIZES 1 TO 5

Note: The survey question was: Please briefly describe the benefits and/or downsides of an internal audit staff rotation program in relation to your organization. These are responses from CAEs with 1 to 5 employees in their internal audit functions.

Arts, entertainment, and recreation
1. My company does not support rotation, but I am working on changing their position. I personally think it is a great idea.

Educational services
2. Benefits include having more risk awareness in the business and opportunities for the individual. The downside is the time needed to train new staff who have zero audit background and may not like the internal audit profession.
3. Benefits are expanding awareness and application of controls, exposure to other business unit operations, and a different perspective brought into the department. Downsides are that rotation may compromise quality of audit; it’s expensive/time-consuming to be a “corporate trainer;” may bring middling commitment from rotated employee.
4. Due to the small size of our department (two people), we do not rotate staff assignments.

Finance and insurance
5. In my experiences, accommodating internal audit staff rotation — to and from — can be very rewarding. I have used it as a selling point when recruiting and developing personnel. Also, short term rotations into internal audit can significantly improve the control awareness and create “control disciples.” If the internal audit staff is large enough to accommodate the disruption, I would encourage you to pursue it.
6. For the program to be successful, the rotation has to be very targeted so the auditor’s interest is aligned to where they want to be in the company. The rotation into internal audit I believe is more beneficial for the audit function, the rotation out is more beneficial for the departments outside of audit.
7. Our staff of three can’t support a rotation program right now. We’re also all very new (less than a year at the company).
8. We don’t have a rotational program in my current program; however, we did in my last organization. I see this as a great developmental program for producing well-grounded employees in different areas of the organization. While I see the potential benefit of rotating staff auditors out into the organization and vice versa, the size of our organization and audit team (four) makes this difficult.
9. We see rotation programs as very beneficial for obtaining employees who have experience with risks and controls within the organization. They also see how different departments are connected and how processes within one department can impact other departments.
Mining, quarrying, oil/gas extraction

10. I haven't used the rotational program at my current company; however, the biggest benefit is the retention of superior talent. You also maintain the business knowledge, develop your employees, and provide a diverse background for those employees.

11. We have a small team and have chosen not to implement rotational auditors. We occasionally do a permanent transfer from internal audit to another department if it is a career advancement opportunity — to fill a new need or replace a someone who has left. We fill vacated positions by hiring another full-time auditor in our department. We do not do any temporary rotations out of or into our department.

Other services (except public administration)

12. Resources do not exist to help train and acclimate the individual being rotated in, due to small staff size and workload.

Professional, scientific, and technical services

13. The downside is investment of time in training rotational staff for only a short-term benefit.

14. We have had employees rotate into and out of internal audit, but not with the intention or plan to do so. Given all of the responsibilities of internal audit, it is difficult to gain and maintain an in-depth knowledge of all areas of finance let alone the company. When we had someone rotate into internal audit, those audit areas grew in maturity significantly, and we are still benefitting a couple of years later. One downside is that without a formal rotation plan/program, a position must become available for someone to move into or out of audit.

Public administration

15. This is not something my audit shop currently participates in; however, I think there could be some great benefits.

Retail trade

16. I find this type of program very beneficial, although it doesn't work at our organization right now. I would definitely consider implementing a rotational program when we get past our current merger.

Transportation and warehousing

17. For larger organizations, rotation programs have the benefit of improving [internal audit's] knowledge of process, manual workarounds, and ongoing challenges of operational departments. The benefit for the operating department is a better understanding of audit and control risks. Larger [internal audit] staffs can absorb the inefficiencies created by rotating staff.

Utilities

18. The benefits are that staff get a much wider perspective of the organization. Motivation is increased. Career progression is pursued. The downside is that internal audit is considered as a mere stop over and eventually staff wanted to move into finance in order to gain more experience for future employment elsewhere.

19. For small departments, the training time and losing the resource is difficult. Constant training for those rotating in would be difficult as well.
Note: The survey question was: Please briefly describe the benefits and/or downsides of an internal audit staff rotation program in relation to your organization. These are responses from CAEs with 6 to 10 employees in their internal audit functions.

Administrative, support, waste management, remediation services

1. I hire future controllers into the organization. They are usually fairly inexperienced staff (one to three years in public accounting, typically) who start in audit so they can help me and the internal audit managers get through Sarbanes-Oxley 404 testing and do a bunch of operational audits for one to two years. It’s a staggered approach, so we always have at least one or two internal audit staff with more than a year of experience for training purposes. This path enables internal audit staff to see all processes and systems, visit a number of operating locations, become intimately familiar with our general ledger and financial controls and tools, and develop relationships with leaders across all functions and various locations in the organization, which sets them up to be very successful controllers when they move to an operating location.

Arts, entertainment, and recreation

2. Our organization is not big enough to have a formal rotation program. However, I think having a rotation program, if possible, is very beneficial to the company and its employees.

Educational services

3. Rotation programs are difficult with small teams. We rotate internal auditors out of the department, but we do not rotate staff in from other departments because they lack internal audit skills. Overall, rotation is great for increasing audit knowledge in the business.

Finance and insurance

4. Rotation programs have huge benefits for the staff. One benefit to the organization is the ability to attract better talent because junior talent loves the rotation programs. One downside is coordinating all of the rotations. It can be quite burdensome. We have reduced the number of rotational programs as a result of this.

5. We are a relatively small company (1,000 employees). This makes it difficult to have a true rotational program. However, we do hire staff in internal audit and develop them with the intention of them moving out into the business.

6. Lack of resources and time required to train makes it difficult to implement this type of program, but I would be very interested in learning more and moving to this model.

7. The primary benefit is the knowledge that the individual gains from the rotation. This can be very helpful to guide risk decisions made by internal audit. The downside is that there is a different mentality in audit, and audit skills, such as documentation, are not always present in the line of business person, which can make their time in audit difficult. A contrasting upside is the business person can often give business perspective that is lacking in audit staff.
Those who rotate into internal audit gain a better understanding of controls, which can be shared with the organization when they rotate back out. Internal audit also benefits from rotation by gaining business knowledge to add more value during audits.

We have a small, skilled team, which is the main reason why we haven’t performed audit rotation as of yet.

I unfortunately have not been in a company where a rotation was formally in place, but I believe it would be extremely useful because when an auditor moves into operations, they bring a strong control culture with them that ultimately improves the control environment in the new area.

Health care and social assistance

Rotational programs can be really tough with small departments. You have to be willing to make an investment in reduced productivity for periods of time, but it can be a great learning experience.

Manufacturing

We get a lot of benefit from the skillset/knowledge of the individuals rotating in. After they rotate back to their own areas, we gain allies who have spent time with our teams and understand the service and benefit we can provide.

Internal audit creates financial talent for the organization, who grow rapidly as professionals because they know the organization inside out. They have a good reputation and can build on the network constructed during their time in audit. They are living examples that rotational programs work.

We report metrics to the audit committee about our rotational program.

The benefits are reputation of internal audit as a talent pool for the organization; broadened individual and institutional knowledge of the organization and the internal audit function; increased exposure to internal audit for other functional areas; and enhanced auditing capabilities through the knowledge/experiences of personnel rotating into audit.

We are setting up a rotational program now using individuals from an internal management training program on operational audits so they can learn more about various facets of the business.

Mining, quarrying, oil/gas extraction

The only downside is the temporary nature of employees being in audit. Time is spent developing them in internal audit, and then the departmental knowledge is lost. However, it’s not really a complete downside, as these employees take their company and internal audit knowledge with them into the business and are able to contribute more significantly to the overall company operations.

Public administration

I have never been part of an organization that uses this concept; therefore, I am uncertain of the realized benefits of such a program. I do have some concern about the independence impacts such programs may have on the internal audit function. My current overall organization is small (less than 400 employees) and our internal audit team (six employees in total) is small as well. Therefore, we do not have the bandwidth to move individuals in and out of the internal audit function on a rotational basis. While the knowledge gained might be beneficial, the cost of the rotation outweighs the benefit.

We don’t have a formal program, but we do have a history of individuals who started in internal audit, transferred to other parts of the organization, and did very well. So the rotation seems to have happened more organically. When we have had a specific knowledge gap, we have hired folks into the department from the business and subsequently trained them in our audit process. This has been more of a recent activity with some success, but we can’t speak to the longevity.
Real estate, rental, leasing
20. The benefit is learning different areas of the business.

Transportation and warehousing
21. For internal auditors, "line" experience is one of the best teaching tools and experience-builders they can receive. Working outside of internal auditing greatly enhances their professional development.

Utilities
22. Employees tend to not want to rotate into internal audit for fear of not having a job when they return. Our company has become much "leaner," but does not want to part with experienced individuals.
APPENDIX C: COMMENTS FOR STAFF SIZES 11 TO 25

Note: The survey question was: Please briefly describe the benefits and/or downsides of an internal audit staff rotation program in relation to your organization. These are responses from CAEs with 11 to 25 employees in their internal audit functions.

Construction

1. The benefits are greater awareness of internal controls and the importance of audit and partnership. The downside is that we spend more time than usual recruiting and training.

Finance and insurance

2. Rotating out of internal audit after two to three years provides the business with individuals who have more comprehensive business knowledge. Additionally, the people who move out are well educated to understand controls and processes and bring a new perspective to the area they move into. We do not rotate into internal audit. One instance was not successful, and there appears to be little interest in rotating in.

3. We’ve contemplated a rotation program for some time; however, we’ve never taken the steps to do so for a variety of reasons. The most notable is how to implement it across a variety of disciplines and ensure continuity. We were about to embark on sending Hi-Po (high potential) candidates into a program, but two left just before we announced it. The leadership of the functions involved never picked the idea back up.

4. I would love to have a rotational program; however, it takes a strong commitment on the part of your company to support it (the employee, their manager, your managers, HR). Managers in other groups have to see the value, have to be willing to invest enough time to make the experience worthwhile for the employee, their department, and internal audit. Internal audit needs to have a sufficiently developed program to effectively onboard and make the experience successful. At my current company and prior, I have had in-depth discussions with senior/executive management about rotation programs, and, to date, management is not willing to take on the extra cost or loss in production when pulling out employees from their regular duties.

5. We have been trying to get a rotational program going in the organization, but it has stalled out. We will continue to try this, but the budget seems to be a hindrance for other areas.

6. Rotation improves the business acumen of audit staff and positions audit as a talent pipeline and development destination for staff from the business, supports diversity and inclusion (D&I) objectives. The only downside is managing potential conflicts of interest and more fluidity in staffing model. Overall, it’s a big net positive!

7. A benefit is broader work experience for the individual. A downside is the disruption to normal activity.

8. We attempted an internal audit staff rotation when Dodd-Frank Act Stress Tests (DFAST) were a regulatory requirement. An internal audit staffer worked with the model developers to obtain an understanding of building financial models. However, when the staffer was hired in internal audit for model risk management and validation, the staffer decided to return to school to complete his electrical engineering degree in addition to his business degree in economics. Furthermore, the regulatory requirements were dropped except for the large banks.
9. Rotation programs are helpful to transfer business knowledge to the internal audit team and to transfer risk and control knowledge to the business units. They are also great for developing mutual respect.

10. The risk is that you are constantly training new auditors, who move on to the business as soon as they are trained and productive. Any rotation program should only be part of the staffing process, not the whole thing.

**Health care and social assistance**

11. Rotating staff is something we have been considering, but we don’t do. There is a lot of value in bringing business knowledge to the team and risk/controls knowledge to the business.

**Manufacturing**

12. Participants gain business knowledge, control environment mentality, program management skills that can apply to different routine jobs, and critical thinking skills.

13. At prior companies, I found rotation programs to be excellent. The companies had a philosophy of helping employees to gain a broad set of skills as part of career development. At my current company, there is significant change and special projects such that insourcing staff into audit is not an available option, but outsourcing to other groups is beneficial.

14. The strong business knowledge brought in by business staff helps us perform effective operational audits.

15. I only see benefits. The internal audit team is viewed as a talent pool, and the ones who rotate out bring a 360-degree view to the department they are joining, as well as good understanding of risks and controls.

**Public administration**

16. Rotation programs are very costly to run. Just when people are trained, they rotate out. New people have a steep learning curve and therefore work output decreases. We need extra training dollars to run the program due to frequent turnover. All benefits go to the other departments.

17. Internal audit is currently the only department that looks for staff rotational opportunities each year and has a staff rotation program as part of our strategic plan. The majority of our staff rotation assignments have been with the company's technology and information security teams. We’ve also done rotational exchange assignments between internal audit and technology. Our rotation assignments have typically been for 4 to 6 months.

**Real estate, rental, leasing**

18. Rotation programs are beneficial to the organization, but detrimental to internal audit. The organization gains employees who have been exposed to the entire organization. Internal audit loses employees with knowledge and is in a constant training mode.

**Other services (except public administration)**

19. The benefits are bringing a broader understanding of the business through rotation into audit, and bringing a controls and compliance mindset to the business through rotation back out. The downsides are losing knowledge in audit when people rotate out and the need to train non-career auditors how to audit.

**Transportation and warehousing**

20. The benefits are getting the perspectives of someone from the business who looks at things in a different manner. The downside is that it sometimes takes some time to get someone from the business to think in terms of risk or managing “what could go wrong.”

21. I believe that our proposed plan to rotate staff in our organization will create value both for the organization and for internal audit. This effort will support the knowledge transfer and skill development tasks outlined in the three-year
strategic plan for internal audit. We conducted a similar survey in the organization to see whether departments and staff would be interested and willing to participate in a rotation program, and we received positive feedback.

Utilities

22. Spending time developing someone and then having them transfer into the business is sometimes frustrating because you don’t develop bench strength in internal audit and are constantly having to hire and retrain. There are also limited opportunities in the business and without a sustainable pipeline on both sides, making a rotation program successful can be difficult. Most people rotate out of audit not the other way around. Convincing the business to give up people as guest auditors has not been that successful in our organization. I do think it would be good for employee retention if we could figure out how to have a sustainable formal rotation program within our company.
APPENDIX D: COMMENTS FOR STAFF SIZES 26 OR MORE

Note: The survey question was: Please briefly describe the benefits and/or downsides of an internal audit staff rotation program in relation to your organization. These are responses from CAEs with 26 or more employees in their internal audit functions.

Finance and insurance

1. Benefits are for the enterprise — well-versed leaders of tomorrow with an understanding of the importance of controls; advocates for controls vs. "big brother" audit; and ability to work with different managers and skill sets.

2. Positives: 1) increasing business knowledge and acumen for the internal audit individual and the unit, 2) promoting internal audit as a function, 3) building relationships, and 4) giving staff career opportunities outside of internal audit. Negatives: 1) auditors-in-charge who rotate out are difficult to replace with a rotation into internal audit because staff who rotate in have generally no internal audit experience; hence there is a resource gap between rotating in and out.

3. Benefits are increasing control mindset within the organization and employee development. The downside is turnover and constant recruiting.

4. Rotation provides greater understanding and insight into business activities. The biggest challenge is having businesses willing to rotate staff out of their departments and into internal audit.

5. The problem with rotation is that most business units aren't willing to "lose" someone every year. We have a finance associate rotation program, and internal audit gets one of these employees every year. However, the audit line managers don't give rotational staff as much attention as they should because the managers say the person will leave "just when he/she begins adding value."

6. The downside is potential independence concerns.

7. In my experience, individuals who rotate out of internal audit and are motivated to learn more about the business often get permanently hired by the business; they don't rotate back. Similarly, business units are reluctant to allow production employees to rotate into audit for fear that 1) business productivity will be impacted or 2) they won't get them back.

8. Rotation programs need to be of sufficient duration to allow the inbound rotation to acclimate to processes/personnel/schedules etc. Without sufficient duration, the quality suffers.

9. While we don't formally transfer internal audit people out of internal audit with a prescribed timeline to bring them back, we do believe there is value in doing this and have discussed this for certain people. We don't have a formal rotation program in internal audit mainly due to the challenges related to independence and objectivity.

10. There is very little downside to rotation. Benefits include career development, exporting risk/control knowledge, and importing business expertise. We don't have a formal program, but we have hired from some of the functions and exported colleagues to other parts of the business.
11. We have often considered a program but have not successfully implemented one. We do have a number of auditors who have moved to the business...and some who have moved back.

12. Our formal rotational program consists of a three-year rotation for CPA students through audit and finance. We also have a central resource pool that rotates across internal audit.

**Health care and social assistance**

13. Rotation boosts morale, helps with career development, helps participants with networking in the organization, and helps build the internal audit brand.

14. The value of secondment or exchange depends on the competence (skills, education, experience, knowledge, training, certification, energy, and attitude) of the individuals. As a general intent, we wish to rotate strong individuals through (internal audit) to improve their understanding of the organization, governance, risk management, and controls, which will prepare them for leadership. Benefits therefore include personal development and corporate contributions — now and in the future. The risks arise with motivation, i.e., Why did the department send this person to us? Are they simply trying to pass on a poor performer? We do not have a system such as TeamMate, which means that there can be issues with consistency of documentation for work done by rotational staff. Therefore, we require our secondments to be a minimum of six months, with two years (being) preferred.

15. Rotation gives auditors a more customer-centric view of auditing, and it can strategically place auditors permanently into key business operations.

**Manufacturing**

16. Rotation allows for greater understanding of the company and how it operates.

17. The benefits are multiple. Career auditors gain new perspective when they work in a functional area and become more effective audit team members when they return to audit. Rotating people into and then out of audit builds better risk management skills.

18. It is a must to implement. Senior management must be behind the program for real success.

**Mining, quarrying, oil/gas extraction**

19. We rotate auditors as part of a finance rotation and an IT rotation program.

**Utilities**

20. Our program is informal. Depending on skill sets and business circumstances, it can be hard to rotate people out. Also, many on rotation decide to stay elsewhere in the business.
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