

McLagan Presents

Is Your Audit Function Keeping Pace with the Market?

The audit function has been under the radar in recent years, with banks investing in and restructuring other support functions. But given the banking industry's focus on 3 lines of defense (3LOD) and the audit function's integral part in this operating model, audit has now risen to prominence.

How is this playing out across the industry and what do banks need to think about to ensure the efficiency of their audit function?

Recent trends for the audit function in universal banks

Increased Expenditure

We have seen a **25% increase for direct expenditure** since 2013. Projects and technology are driving the cost base. Aggregated compensation increased due to hiring sprees, as did premises, travel, and entertainment spend associated with an increased global footprint.

Workforce Transformation

Full time workforce grew by a third over five years. There is a shift from seasonal contractors to permanent staffing and from generalist to specialist employees. Nearshore and offshore is tactical rather than strategic.

Operational Evolution

Audit has fragmented into key focus areas and is now fully aligned to businesses, functions, and IT. The management function has emerged to provide oversight. Other new specialisms include cyber and regulatory audit.

Industry outlook

Market Competition

There is a **growing need for an expanded skillset in niche areas**, such as data analytics. However, the biggest impact is likely to come from demand for mid-level professionals who have full training and experience to fill a skills gap.

Cost Pressures

Representing less than 1% of total operating expense, this cost base may seem insignificant. However, **firms are being proactive in cost management** and considering how location strategy may be used to control growing people costs.

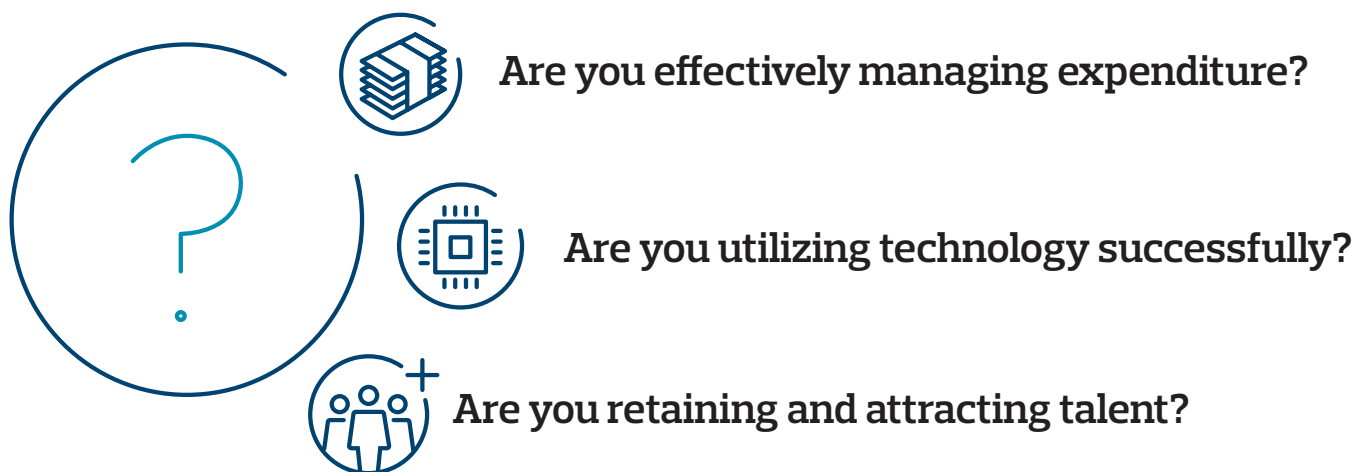
Adopting Technology

Firms have been using IT to improve the efficiency of auditing techniques. Firms are also evaluating how to leverage automation.

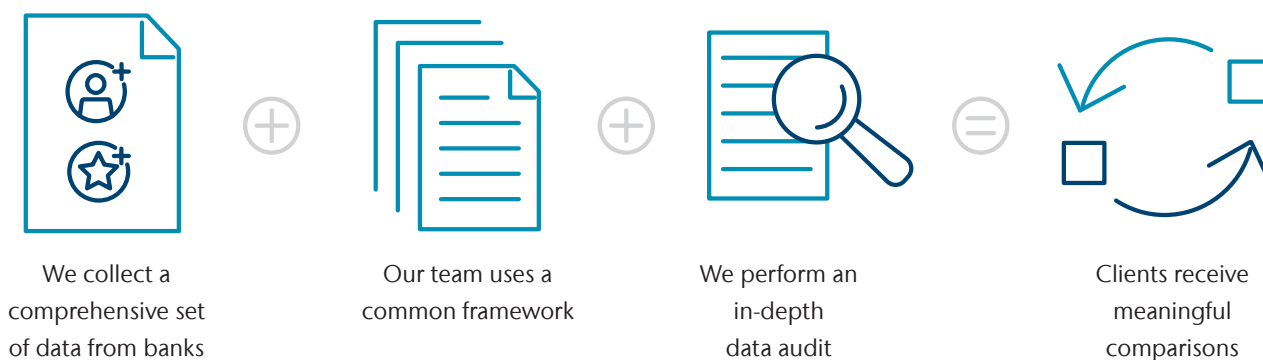


Gauge: measure and interrogate your audit function performance data

The general ledger and headcount submissions we receive each year from major banks make our proprietary dataset unique in the industry. This allows us to help clients answer the strategic challenges they face with fact-based, data-driven insights. We help business leaders answer questions like:



With the Gauge benchmarking offering, firms have the flexibility to compare themselves against their chosen peers, giving them the data they need to deliver actionable results to improve overall efficiency and performance. Our proprietary software helps map each participant's data into a common framework. A rigorous audit process ensures integrity of the data source.



To learn more about the trends and outlook for audit in the banking sector and how to assess your performance, please contact info@mcclagan.com or your McLagan relationship manager.

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