

The Great Resignation is impacting the finance function

Audit committees play a key role in the oversight of talent attraction and retention

By Stavros Demetriou

At the start of the pandemic, lockdowns and uncertainty about the future drove a wave of layoffs and furloughs, as well as a global shift to remote work. Performing walkthroughs, obtaining audit documentation and meeting with auditors all needed to take place virtually. Internal audit leaders were faced with how to adequately adjust and complete their audit plans and manage their audit teams remotely.

Now, in the new normal, we're experiencing the Great Resignation, with employees quitting en masse as burnout, workload, poor culture, and lack of flexibility, coupled with the challenges of the pandemic have made people rethink where they want to work. Employees may also feel less motivated to come back to work, creating a new talent environment where turnover is an increasing risk to completing audit plans and providing adequate risk coverage.

This has also resulted in a loss of specialized expertise, which is hard to find and expensive to acquire and retain. Extensive turnover can impact audit cycles and financial reporting requirements. It can also create distractions and the risk that audit quality and conformance with professional standards could suffer.

At the same time, we're seeing many more opportunities in the job market. Remote work has opened up the talent pool beyond a specific geographic area. According to the KPMG [Global CEO Outlook survey](#), 42% of CEOs are looking to hire talent that works predominantly remotely, seizing the opportunity to expand their reach into a wider pool of talent. And 32% of Canadian CEOs are prioritizing investment in workforce skills and capabilities.

The Great Resignation, a shortage of talent and the need to upskill and reskill workers for the future of work mean that talent development, retention,



From an audit committee perspective, it's important to put talent retention on the agenda as a potential risk factor. The audit committee should be actively engaged in hiring and succession planning, particularly for the internal audit function.

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engagement and succession planning have become major organizational risks that audit committees need to consider.

The Great Resignation becomes the Great Retention

The pandemic has changed how we work, how work gets delivered and where it gets delivered from. Some employees are burned out from long hours working in isolation at home, without timely or meaningful recognition and reward. They may have few interactions with their team leader or team members and may feel disconnected, disenfranchised, and demotivated.

At the same time, many organizations are also making plans to bring employees back to the office—but some employees can't envision going back to the way things were pre-pandemic, given that they may have moved or rearranged their life around remote work. For organizations that don't provide flexibility for hybrid working models, they may see a mass exodus of talent.

Audit committees should look at the organization's policies around how work is going to continue in a remote or hybrid setting. Are they putting in place a work-from-home or hybrid work policy? Are they ensuring that employees are motivated, engaged and rewarded for their achievements? That will have an impact on attracting and retaining talent.

Upskilling for the future of work

Remote work requires the adoption of technologies that can create risks like cybersecurity threats. KPMG's [CEO Outlook](#) found that 68% of Canadian

What should audit committees be asking?

What is your strategy around talent development and succession planning for executive leadership and the internal audit function?

How are you onboarding new talent and developing skills for hybrid workforces?

How will WFH, WFA or hybrid work models create additional risk for your organization?

What are your strategies around attracting, retaining and developing your talent? Do we have the necessary bench strength?

CEOs plan to invest more capital in buying new tech over the next three years. Audit committees will need to be aware of any security or privacy gaps created through remote or hybrid work models, such as ensuring that data is secured in the cloud or that remote employees are educated about phishing scams.

There's also a need to upskill and reskill workers for the future of work. This was an issue prior to the pandemic, as organizations planned for digital transformation. Those plans were both disrupted and accelerated by the pandemic, which has shone a spotlight on how employees' roles are changing, where they need to upskill or reskill and where there's a shortage of skilled talent, especially in senior roles.

Succession planning

Talent development goes hand-in-hand with succession planning. In the finance function, lack of a succession plan places risk on the quality and reliability of financial reporting and related controls. Today's job market is highly competitive and top talent will choose the arrangement that works best for them. Audit committees should ensure there's a healthy pipeline and contingency plans in case top talent leaves the organization.

They should also consider the costs of hiring top talent in a competitive market, which can create risk. Losing talent means losing knowledge of the organization and its workflows and processes. It also puts strain on the remaining employees who may already be stressed and burned out, which can impact financial reporting obligations.

Tax considerations

Before an organization allows employees to work from anywhere (WFA), they should consider the legal, regulatory, immigration and tax implications. Different countries have different tax regimes, which will have implications for a globally dispersed workforce. This adds to the risk profile of an

organization, so a WFA business model should be carefully planned with the finance function involved.

The audit committee's role in talent oversight

Talent has become a risk for organizations. As outlined in [KPMG's audit committee Guide—Canadian Edition](#), while talent development and succession planning at the executive level is typically the responsibility of the board, the audit committee will want to oversee that process, particularly for the internal audit function. That means having a strategy in place if executive leadership or top talent leaves the company and playing a role in the appointment, promotion or dismissal of the head of internal audit.

After reviewing this strategy, audit committees should provide feedback about gaps they're seeing and what the impact of those gaps will be on the organization. They can also review turnover rate or employee satisfaction surveys to understand the current state of affairs and any concerns about talent retention. Things change quickly—we've seen that during the pandemic—so it's important to have the right plans, strategies and controls in place to mitigate risks related to talent development.

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