



4 February 2022

Submitted via email to: accountingappg@aicpa-cima.com

To whom it may concern,

Inquiry on Apprenticeships and Skills: How to boost financial and professional skills in the UK

The Chartered Institute of Internal Auditors (Chartered IIA) welcomes the opportunity to contribute our views on the Accounting for Growth APPG's inquiry on 'Apprenticeships and Skills: How to boost financial and professional skills in the UK'.

The Chartered IIA represents internal audit professionals in organisations spanning all sectors in the UK and Ireland, and it champions the contribution internal audit makes to good governance, strong risk management and a rigorous control environment leading to the long-term success of organisations.

The Chartered IIA is happy to discuss any of the comments included in the response.

Your sincerely,

A handwritten signature in black ink, appearing to read 'John Wood', with a horizontal line underneath.

John Wood
Chief Executive

Inquiry on Apprenticeships and Skills: How to boost financial and professional skills in the UK

Introduction

The Chartered IIA represents around 10,000 internal audit professionals in organisations spanning all sectors of the economy, across the UK and Ireland. We are the leading voice of the profession in the UK and Ireland and are part of a global community of over 210,000 internal auditors in 190 countries. We champion the contribution internal audit makes to good corporate governance, strong risk management and a rigorous control environment leading to the long-term success of organisations.

We are the only professional body dedicated exclusively to training internal auditors in the UK and Ireland. As such, we organise a wide range of training courses, events, masterclasses, and workshops dedicated to the personal and professional development of internal auditors.

The Chartered IIA were part of a trailblazer group who developed two internal audit apprenticeship standards: internal audit practitioner (level 4) and internal audit professional (level 7). Both include Chartered IIA qualifications. We are also the only end-point assessment organisation for both internal audit apprenticeship standards.

We have chosen not to respond to every question, but exclusively to those in which we can offer our expertise, insight, and a valuable contribution.

Is the apprenticeship scheme, help to grow and lifelong learning fit for purpose for the UK financial and professional services and are there targeted sector specific schemes needed?

We believe that there are many benefits to apprenticeships and have been a strong supporter of the scheme. For the apprentice, it provides a real job with a structured training programme, allowing them to progress their career quickly. In the case of internal audit apprenticeships, it also gives the apprentice the opportunity to work towards an IIA qualification.

For employers, apprenticeships are a long-term investment and carry notable benefits, such as improving the skills of their existing workforce and their economic productivity. What's more, organisations who are levy-paying employers can use the funds in their account to pay for apprenticeship training – funds that would otherwise be lost.

However, feedback from Heads of Internal Audit suggest that many still don't know how to go about using the Apprenticeship Levy which was introduced by the government in 2017. A recent London First survey conducted by Survation found that almost half of firms subject to the Apprenticeship Levy have returned unspent funding to the Treasury. In addition to that, five in six companies believe that the Apprenticeship Levy is not working well.¹

Overall, it is our sentiment that the apprenticeship scheme remains abstract to many organisations and the government could do more to better raise awareness in this area. More specifically, the complexity of the Apprenticeship Levy is a real barrier to organisations,

¹ Half of firms return unspent apprenticeship levy funds to Treasury, The Times, 24 January 2022, available at: shorturl.at/rxEKU

and we would support a simplification of the system. Perhaps the government could run an Apprenticeship Levy awareness campaign in partnership with the main business organisations and professional membership bodies?

How can the Apprenticeship Levy be changed and improved to provide more training to the existing workforce and train new talent?

Upskilling existing staff is a great way for an employer to ensure they have the workforce they need without resorting to new hires. However, research such as one from the Chartered Institute of Personnel and Development (CIPD) in 2021 showed that since the inception of the Apprenticeship Levy, employer investment in training has declined and apprenticeship starts have fallen.² In addition, a CIPD survey of 2,000 organisations showed that nearly half of large employers say reforming the levy to a more flexible training levy would help them improve workplace productivity and business performance to either a great or moderate extent.³

Apprenticeships are a great way of upskilling existing staff and should be encouraged when it is the right programme for the employee and the employer. Yet, we believe that the current Apprenticeship Levy should be reformed to a more flexible “skills levy”. We would suggest that the majority of the funds should still be used on apprenticeships for young people. But, employers should also be allowed to use part of the levy fundings to upskill existing staff through other forms of accredited training and skills development courses, which are cheaper and more suitable to employees over 25 years old.

This is something that the CIPD and other organisations have been calling for and that we also support. This would greatly encourage life-long learning and support the upskilling of the workforce across the entire economy. In turn supporting the government’s ambitions to increase productivity and growth. This is particularly relevant given that the UK productivity continues to lag behind other G7 countries (13% below the average according to the ONS).⁴

What’s more, the process by which levy-payer employers can transfer their unspent levy funds to SMEs and charitable organisations (often in their supply chain) for them to take on apprentices should also be simplified. According to the London First research mentioned above, the most common cited barrier for transferring the levy was complexity in the rules for the company doing the transfer and for the SME receiving the funds. 26% of respondents to the survey said that inflexibility in the regulations prevents smaller businesses from taking up the funding.

Our experience developing apprenticeship standards

The Chartered Institute of Internal Auditors was part of the trailblazer group who developed the standards and assessment plans for two internal audit apprenticeship programmes: Internal audit practitioner (Level 4) and Internal audit professional (Level 7). The group was first convened in December 2016, and the apprenticeship standards were approved in June and August 2018 respectively. The first apprentices came on board in September 2018 and

² Apprenticeship Levy has failed on every measure and will undermine investment in skills and economic recovery without significant reforms, says CIPD, March 2021, available at:

<https://www.cipd.co.uk/about/media/press/010321apprenticeship-levy-reform-budget#gref>

³ Ibid

⁴ UK productivity continues to lag behind G7 peers, The Times, 21 January 2022, available at:

<https://www.thetimes.co.uk/article/uk-productivity-continues-to-lag-behind-g7-peers-v7q9srjs3>

since then we have had 263 people registered on the programmes (60 have already completed).

When the trailblazer group was first convened, there was little knowledge within the group of developing apprenticeship standards. So, the group hired a consultant (funded by the employers) who had experience developing apprenticeship standards for others to help us in the process. We expect that many trailblazing groups might have encountered the same issue, so perhaps the guidelines on how to set up trailblazer groups should reflect on the need for at least some members of the group to have experience of developing and delivering assessments (e.g. training providers and education specialists).

Despite the support provided by the consultant, the standards for the two apprenticeship programmes we developed were rejected by the Institute for Apprenticeships initially (either on the guidance piece or assessment plan, for example with regards to the cost of the programmes). We recollect that it was a very lengthy process and not an easy one. From the initial concept to the approval of the apprenticeship programmes in 2018, the process took about 2 years. This, we think, might discourage an interested group of employers to develop an apprenticeship programme that would be beneficial to their industry. Ultimately, it prevents the apprenticeship scheme from being relevant and up to date with the skills needed by employers, and therefore increases the skills gap instead of reducing it.

In the same vein, one practical challenge we are facing now is the difficulty in changing the original standards. To amend them, we would have to reconvene the trailblazer group and go through a process to get them revised. First, the people involved in the trailblazer group might not be in post anymore (this is true for our group where the chair has now moved on to become a self-employed consultant). Secondly, there are many factors to consider before making any changes to the standards. For instance, does changing one aspect of the standard mean that the Institute for Apprenticeship will review the funding available for the programme? This might again lead to a lengthy and complex process, which might prevent trailblazer groups to review and act on the relevancy of the standards as skills and professions evolve.

In conclusion, we believe that more flexibility in the standards development process is needed for the apprenticeship programmes to remain relevant and fit for purpose.