



Ministry of Finance

## COVID-19:

# Impact on the role of internal audit - examples from the Netherlands and Ukraine

*Manfred van Kesteren*  
*Ruslana Rudnitska*



## COVID-19: The Netherlands: the context

- February 27: first case of COVID-19 in the Netherlands;
- April 7: >18.000 cases of COVID-19 in the Netherlands; >1800 deaths;
- Gradually more restrictions on travelling, (strong) advice to work from home, restaurants/bars closed, schools closed, no handshaking, 1.5 meter social distancing, no organized events until June 1, when having a cold: stay home, when having fever: stay home including family. No total lockdown;
- Cabinet issued **economical support package** for companies, entrepreneurs and the self employed: e.g. max. 90% of wage bill will be covered, covering loans to bridge the crisis, loosening fiscal deadlines, long-term support etc.



## COVID-19: The Netherlands: impact on the public sector

- February 28: restriction on business trips (only when necessary), focus on hygiene;
- March 13: mandatory work from home for all public sector employees (except 'critical functions');
- Specific ICT-measures: secure network, increasing bandwidth, restrictions on tools to use (mandatory IT-tools of preference: Skype for Business, WebEx), additional IT-tools made available (laptops, tokens etc.);
- Public Sector was not ready for this pandemic: crisis-scenario's excited for disruptions business continuity, but not to this extent (e.g. health impact was neglected). So: crisis management instead of Risk Management;
- COVID-19-crisis teams in each ministry and national coordination team (Outbreak Management Team) as well as key institutions like Health Advice Body etc.



## COVID-19: The Netherlands: impact on Internal Audit

In general:

- Daily meetings with team of Directors of the CGAS via videoconferencing to discuss impact on work of internal audit but also with external assurance providers like SAI;
- Communication between audit-clients and key client coordination functions of CGAS remains intact → vital for our business continuity;
- The Central Government Audit Service (CGAS) at the moment is (so far and foreseen) able to fulfill the annual audit plan. Some priorities have shifted: agile audit planning;
- Audits continue by using the mandatory IT-tools. Interviewing via videoconferencing, secure handling of sensitive information;
- Audit reports signed with digital signatures;
- Our existing Audit Management System (Teammate) remains helpful in ensuring proper documentation of audit files: audit trail.



## COVID-19: The Netherlands: role of Internal Audit towards clients

- Internal Audit has a seat within the crisis-teams at the ministries;
- Internal Audit has a consulting/advice role during the development and implementation of the social/economic support package: consulting at the front-end of business, response review, supporting front line decision making, legal compliance;
- Heightened attention for data-leaks/cybersecurity in times when all our client-organizations work from a distance: new risks emerge, Internal Audit plays a proactive role to deal with these risks;
- Special focus on changes in the (internal) control-environment: also here proactive front-end involvement;
- 'Audit alerts' have been published by our national and international professional organization to which we are aligned: the IIA, NBA (National Accountancy Organization), NOREA (National IT-audit Association);
- Audit Committee's and other relevant stakeholders (SAI) are informed in virtual WebEx meetings.



## COVID-19: The Netherlands: role of Internal Audit internally

- Internal CGAS letter: daily updates regarding COVID-19 + personal blogs of Director team members;
- Virtual gatherings with colleagues to keep in touch;
- Picture rubric on intranet: 'homework-spots' and homework-blogs;
- Regular informal support briefings from top management (SG, minister);
- Free advanced online training courses are made available (as back-up for Permanent Education obligations).



## COVID-19: The Netherlands: challenges ahead

- New risks emerge: uncertainty regarding length and impact of the crisis is big: what will this mean for our work? What will it mean for our client organization?
- Internal audit tries to anticipate on these challenges to pro-actively have a seat at the table of (crisis) management and stay in close contact with our stakeholders internally and externally.
- Revising risk management strategies: IA tries to catch its role here.
- Post-Corona strategies are being developed: IA's role in for example reviewing crisis-response, business continuity etc.



## In comparison: COVID-19: Ukraine: the context

- **March 12**: first case of COVID-19 in Ukraine;
- **April 7**: >1400 cases of COVID-19 in Ukraine; 45 deaths (3%).
- More than 100,000 Ukrainians return before quarantine measures (high risk)
- **General restrictions**: gradually more restrictions are introduced: Ukraine closed the boarder for foreigners, restaurants/bars closed, universities, schools closed; latest heavy measures introduced on 6 April includes restriction for walking in the parks, forests, not more than 2 people; wearing masks is a must in public places, restriction for people over 60.
- **Government reaction**: end of March Government issued changes to the State Budget, but they were not supported by the Parliament yet, key are: setting of the Stabilization Fund and increasing of the Reserve Fund; involvement of the big business to be socially responsible, flexibility on fiscal deadlines to the small business etc.



## COVID-19: Ukraine: impact on Internal Audit (1)

### **IA function decentralised:**

- Ministry of Finance (CHU) did not issue any documents/ methodologies/ guides for the IAs during the quarantine period;
- Position of the CHU is that IA departments should follow the special regime and regulations, issued at the ministerial level;
- Role of the CHU: IA support via phone on burning questions and consultation, such as:
  - ✓ Changes in IA planning, including, based on the request from the management;
  - ✓ Delay in performing IA assignment;
  - ✓ Technical problems and access to information.



## COVID-19: Ukraine: impact on Internal Audit (2)

### **Results of the IA Questionnaire on results of influence of COVID – 19** : 34 answers ( about 50% of authorities):

- About 2/3 of IA: based on internally issued regulation moved into the distance type of work;
- Limited amount of IA techniques, used by IA's in a distance format of work (mostly, work with documents);
- Some IA reported on conducting ad hoc IA's on management request: procurement procedures of medical resources etc. (only in few cases);
- Problems reported by IA: lack of knowledge on IT techniques and it use in practice in different stages of the IA; lack of access to the documents/information/people; absence of concept of work in distance format (different IA stages require updates in administrative/organisational/methodological procedures)...



## COVID-19: Ukraine: impact on Internal Audit: some conclusions

1. Maturity level of the PUBLIC Sector/IA has strong correlation with its reaction and response to the new risks and crisis.
2. CHU lack playing more coordination/harmonisation role and provide better horizontal methodological guidance and support to IA units, limited to “hands on” support mostly on phone.
3. IA function still is not recognised as an instrument for quick reaction/improvement and mostly is not used by management for support (with few exceptions).
4. Lack of skills and knowledge in using new, advance (especially IT) methods and tools.
5. Limited access to the auditees and mainly remote work with documents.
6. Need of distance learning/webinars.



## KEY takeaways (1):

- **Pro-activity:** front-end role of IA (consulting, advising) in times of crisis is THE way to make an impact now.
- **Retaining close contact** with key stakeholders and clients/customers of IA is vital.
- Explore **new emerging risks** (IT, internal control/business continuity) and incorporate them in revised risk management strategies.
- Be clear about **what is allowed**, and (even more) what is not allowed when using **IT-tools**.



## KEY takeaways (2):

- Be **agile in (audit) planning**: shift priorities and capacity when necessary: but always keep stakeholders informed.
- Develop **post-Corona strategies** for IA: what areas should IA offer its services after the crisis.
- As **CHU: be pro-active**, helping to support/guide IA and harmonize situation after the crisis.
- **Update** of the **FMC/IA Training programs**: incorporate new requested skills and techniques



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[m.Kesteren@minfin.nl](mailto:m.Kesteren@minfin.nl)

[R.Rudnitska@Hotmail.com](mailto:R.Rudnitska@Hotmail.com)