

THE IMPACT OF **COVID-19**
ON THE ROLE AND
ACTIVITIES OF
INTERNAL AUDIT

April 2020

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Acknowledgements

The Internal Audit Community of Practice (IACOP) would like to thank members and global experts for their contributions to its Smart Interactive Talk and to prepare this paper, especially the following: Arman Vatyan, PEMPAL Program Leader, World Bank; Edit Nemeth, IACOP Executive Committee Chair and Internal Control Working Group Leader, Hungary; James Paterson, Internal Audit Global Expert; Jean-Pierre Garitte, World Bank consultant; Ljerka Crnković, IACOP Executive Committee member and Audit in Practice Working Group Co-Leader, Croatia; Manfred van Kesteren, Audit Manager, Dutch Central Government Audit Service; Nathan Paget, Chief Internal Auditor, Government Internal Audit Agency, UK; Nontando Myeza, Director, Internal Audit Support, Republic of South Africa National Treasury; Richard Maggs, World Bank consultant; Ruslana Rudnitska, Internal Audit Expert, Dutch National Academy of Finance and Economics.



What are PEMPAL and IACOP?

Public Expenditure Management Peer Assisted Learning (PEMPAL) is a network to facilitate exchange of professional experience and knowledge transfer among public financial management practitioners in countries across the Europe and Central Asia region. The network, launched in 2006, aims to contribute to strengthening public financial management practices in the member countries through developing and disseminating information on good practices and their application.

The network is organized around three thematic communities of practice:

- Budget Community of Practice,
- Treasury Community of Practice, and
- Internal Audit Community of Practice.

The main overall objective of the IACOP is to support its member countries in establishing modern and effective internal audit systems that meet international standards and good practices; key for good governance and accountability in the public sector.

The key donors and development partners to the program are the Swiss State Secretariat for Economic Affairs, the Ministry of Finance of the Russian Federation, and the World Bank. Dutch National Academy for Finance and Economy provides non-financial support.



Preface

This paper is based on materials and discussions at a Smart Interactive Talk among members of the IACOP and relevant global experts on April 20, 2020. The aim was to address the impact of the COVID-19 pandemic on internal audit work. Representatives of four countries, the Netherlands, Ukraine, the Republic of South Africa, and the United Kingdom, gave presentations followed by a question & answer session. The event agenda is in the Annex. More information including presentations given during the interactive talk are available on the event's page.¹

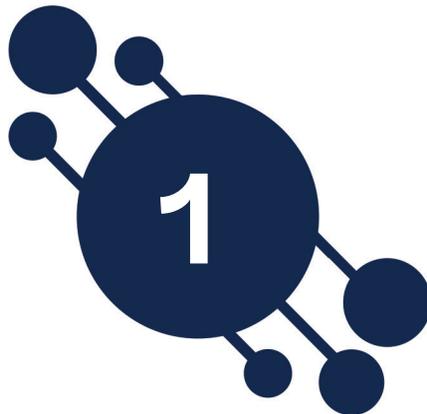
Other knowledge products developed by the IACOP include "Good Practice Internal Audit Manual Template"; "Good Practice Continuing Professional Development Manual Template"; "Internal Audit Body of Knowledge"; "Risk Assessment in Audit Planning"; "Cooperation Among Public Sector Audit and Financial Inspection Entities"; "Quality Assessment and Improvement Guide"; and "PEMPAL Guidance on Internal Audit: Demonstrating and Measuring Added Value". All are available from www.pempal.org.

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Now this is not the end. It is not even the beginning of the end. But it is, perhaps the end of the beginning."

— Winston Churchill

¹ <https://www.pempal.org/events/internal-audit-during-covid-19-pandemic-smart-interactive-talk-sit>



MAIN ISSUES

1.1. Background

In a little over three months, beginning in late December 2019, the new coronavirus disease (COVID-19) has changed the way the people of the world must live, work, and interact to try to prevent the unchecked spread of this highly infectious disease.

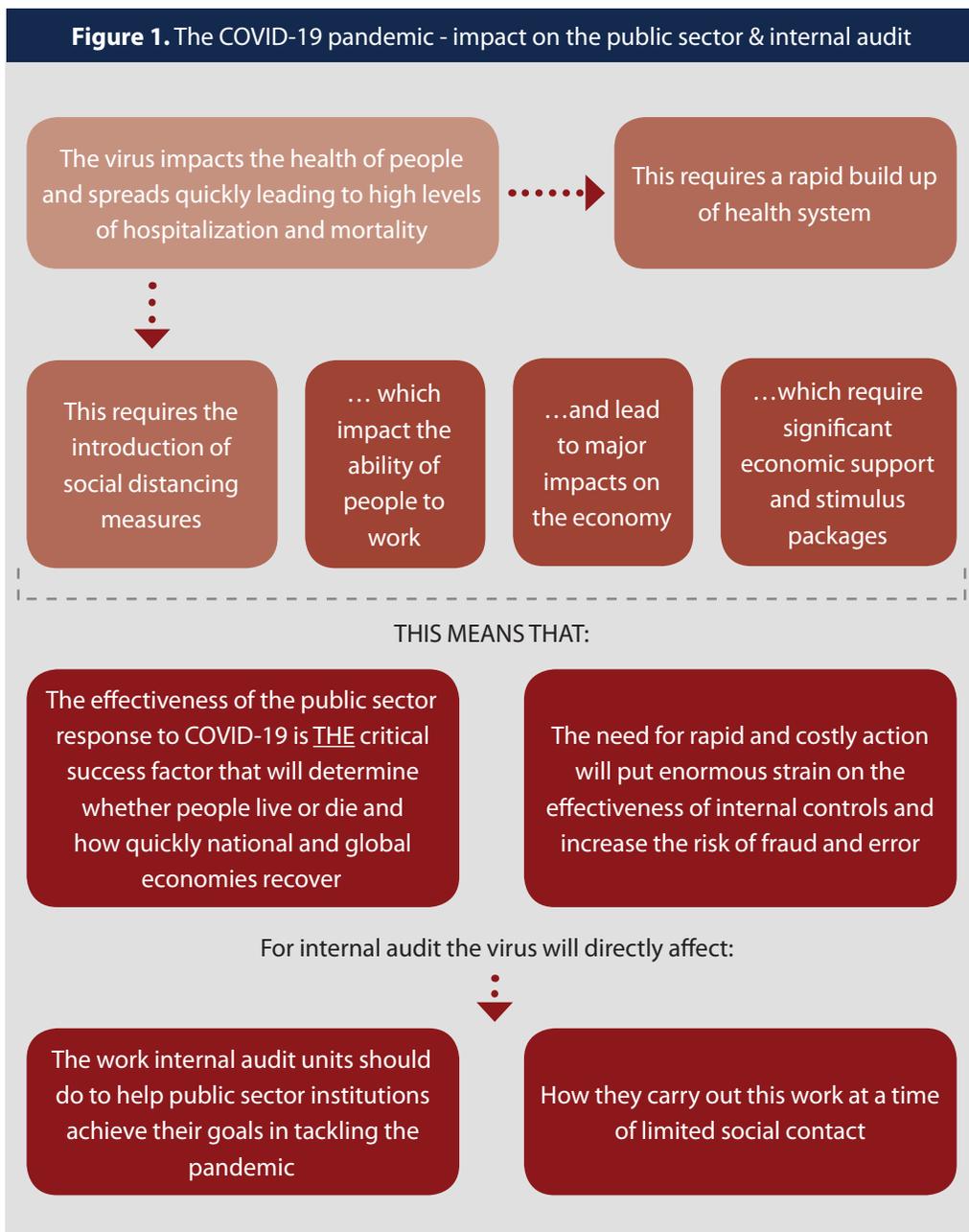
The COVID-19 pandemic is requiring extraordinary actions by governments in both developed and developing countries. These include the need to build additional health care capacity as the virus spreads; the creation of new norms of (distant) social interaction; and the provision of significant financial support for people and businesses directly impacted by the illness and measures to minimize its spread.

More than ever, people need governments to work well because only governments have the capacity to address the health and economic challenges generated by the COVID-19. At the same time, stay at home guidelines are changing the way all public sector organizations have to work, with a much greater focus on remote working.

The pandemic is affecting internal auditors in many different ways. Key issues directly impacting internal audit work include:

- What changes should be made to internal audit plans and work programs?
- How can internal audit adopt lean and agile ways of working and reporting to speed up the delivery of mission critical audits of emergency responses by the public sector?
- How will remote working impact the approach to audit work?
- What is the likely impact on internal controls of the need to act quickly in the interests of the nation?

Figure 1. The COVID-19 pandemic - impact on the public sector & internal audit



1.2. Main issues

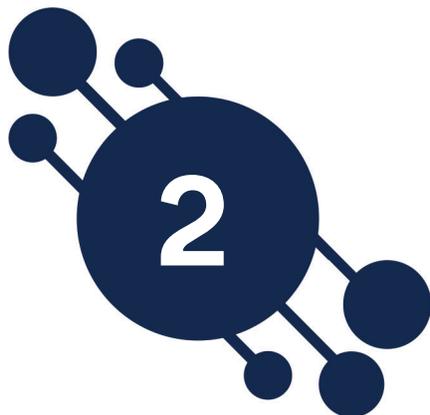
PEMPAL members take note of the following high-level issues in their response to the changed circumstances during the COVID-19 pandemic:

- This is not business as usual. Nobody was prepared for the pandemic. Internal audit should adapt to the new situation, be proactively engaged, and consider suitable options.
- There needs to be a shift of focus to the front-end role of internal audit, which is to provide consulting and advisory services to management who are now working in crisis mode. Internal audit needs to be visible and engaged.
- Regular communication with clients, staff, and stakeholders is even more important in a remote working environment.
- Remote working increases cyber security risks and may also require additional infrastructure such as laptops for internal audit staff and appropriate data handling capacity for effective communications. In some countries there may be difficulties in accessing data systems remotely.
- There needs to be an agile and flexible approach to audit planning; a willingness to shift resources and activity to reflect changes in risks and priorities. Quick decisions are needed to cut audits which are no longer high priority. Internal audit should also reclassify outstanding items to ensure that these remain relevant.
- Internal audit should not compromise on the quality of the audits undertaken. Where there are restrictions on the work that can be done this should be reflected in the reduced scope of the opinion provided, not by issuing a general disclaimer that is of little or no help to hard pressed managers.
- Internal control will change during the crisis, where a delicate balance needs to be maintained between operational imperatives and financial control. Because the controls will be applied in a different way the risk exposure will also change. These may be areas for internal audit to provide advice to managers.
- There is a need to think about what strategies internal audit should have in place for when the pandemic comes to an end.
- The pandemic has forced internal auditors to work in different ways (working remotely and with more reliance on technology). This may result in opportunities to change the way internal audit works in the future, with solutions that are smarter and better for people and also for the environment (less commuting). Heads of internal audit must ensure that they do not overlook any positive impacts of the changes brought about by the pandemic.

1.3. Key areas for internal audit during the pandemic

The remainder of this paper looks in more detail at three key areas for internal audit during the pandemic:

- What internal audit units should be doing to help their clients address the risks generated by the virus: the need for a shift of focus on internal audit work; the importance of monitoring change in internal control; and the scope for helping clients to monitor risks in five key areas.
- How the pandemic will change the way internal audit works: issues impacting the way Internal audit units operate during the crisis; challenges and opportunities that may arise from the new ways of working remotely.
- Issues that impact different actors involved in public sector internal audit: heads of internal audit (chief audit executives in the public sector), central harmonization units (CHU), supreme audit institutions, and audit committees.



WHAT INTERNAL AUDIT SHOULD DO TO HELP CLIENTS ADDRESS THE RISKS GENERATED BY COVID-19

At a time when many organizations are operating in crisis mode, some first and second line managers may think internal audit, as an entity that operates at the third line, is irrelevant. However, a period when public sector systems and activities are under stress is arguably when internal audit is needed most. The value and relevance of internal audit needs to be demonstrated by the current activities of internal auditors.

Yet this is not a time for business as usual. Consequently, heads of internal audit need to consider very carefully what work they should be doing to help public sector institutions achieve their goals during this crisis. They also need to consider how they will actually carry out this work at a time when there are severe limits on personal contacts.

2.1. Shifting the focus of internal audit towards up-front advice

One overarching message is that internal audit needs to shift the focus of their work from assurance driven audit assignments to forward looking advisory and consultancy work. The shift of priorities and examples of advisory work is shown in Figure 2.

Figure 2. The COVID-19 pandemic - changing the focus of internal audit work

PRE-PANDEMIC PRIORITIES	NEW PRIORITIES	EXAMPLES
Ex post assurance on the adequacy & effectiveness of internal controls	Forward looking consulting activities and advice provided to managers	Internal audit on ministry crisis management teams (Netherlands)
Audits of the economy, efficiency, and effectiveness of the use of resources	Forward looking advisory assignments requested by managers on high priority issues	Audit alerts (Netherlands)
Forward looking advisory assignments requested by managers on high priority issues	Audits of the economy, efficiency, and effectiveness of the use of resources	Ad hoc reviews at management's request (Ukraine)
Forward looking consulting activities and advice provided to managers	Ex post assurance on the adequacy & effectiveness of internal controls	Embedding staff and some secondments to operations teams (UK)
		Helping to sensitize public sector to the impact of the virus (RSA)

In the Netherlands, the Central Internal Audit Service has a seat at the table with crisis management teams. In this situation internal audit fulfills the role of a critical friend who is able to give advice on risks that need to be taken into account and can tell management what it needs to know, not what it wants to hear. Indeed, for the Netherlands this front-end role in times of crisis is THE way to make an impact now. However, this is not the only work undertaken. Auditors continue to provide assurance where possible (thanks to IT) and still do compliance type of testing/controls/audits to ensure that funds are spent correctly.

One issue of the shift of focus to advisory/consulting work is that this may impact the independence of internal audit and so there must be care in framing the advice provided. Auditors should be well able to judge this. Internal audit actions must be relevant. Being flexible, nimble, and responsive is the best way to achieve the right degree of independence. It is important for internal audit to make sure it has the skills to be able to help and provide robust advice. Internal audit units should *“not try and play the role of hero”* nor should managers have to say *“where was internal audit during the pandemic?”*

The experience of several countries suggests that it is less easy for internal audit units to provide up-front advice in less matured public sectors.

2.2. The importance of monitoring changes to internal control

The pandemic is requiring central government ministries and agencies and local government authorities to rapidly put in place new programs to support those people most impacted. The enormous size of these economic support packages and the speed at which the public sector is required to implement them, increases the risk of fraud and error and therefore stresses the systems of internal control.

However, internal control does not exist in a vacuum. It is a means to achieve the objectives of the organization. In a period of crisis management, the organization needs to maintain a delicate balance between short term controls that may be relaxed and longer-term controls that need to remain in place. For example, a hospital will have defined standards of personal protective equipment during treatment. However, when hospitals are operating at maximum capacity and lives are at immediate risk it may be acceptable to relax these standards. But this is not the standard of control for the longer term.

Internal auditors have significant experience of evaluating the effectiveness of internal control. This is therefore an area where internal audit has the expertise and skills to provide much needed support and assurance to operational managers: for example, about the degree of risk involved and the relevance of the control mechanisms put in place.

Typically, an audit of internal controls evaluates whether, in theory, the design of internal controls is sufficient to address the inherent risks. Tests then determine whether the controls are operating as planned. Now with remote working the internal control design can be examined, but it may be difficult to carry out tests

to see if these controls are in fact working. However, it is not acceptable for internal audit to simply issue a disclaimer. Instead the answer is to provide limited assurance only on the design of the controls, and never to compromise on the quality of assurance.

2.3. Helping clients to consider risks in five key areas

All public sector entities (and therefore also internal audit units) will need to address additional risks generated by the COVID-19. Internal audit units could usefully focus their interactions with budget users on risks in five key areas:

- People
- Operations
- Supply Chain
- Financial Management
- Technology/Security

People

The health and well-being of employees during the outbreak is a key risk, as well as a necessity in the continuing management of other areas of risk. Budget users should:

- Ensure that risk assessments are conducted and regularly reviewed to ensure a safe place of work for employees and contractors, including good hygiene practices and availability of personal protective equipment as appropriate.
- Support staff who are at higher risk because of pre-existing health conditions that may require them to shield themselves from possible exposure to the virus. Make and implement plans to reduce travel and facilitate working from home where possible. The use of technology to enable work to continue without physical proximity will be essential.
- Give employees clear guidance on when they should attend work and when they should stay away. Review this advice regularly, based on the changing situation and good management information.

Operations

Organizations will have deployed aspects of their business continuity plans, and these will form the basis of their response. These may not though have foreseen a situation as widespread, complex, and potentially prolonged as the challenges being faced now. Nor do plans always prove deliverable when faced with real life situations. Budget users should:

- Be agile and re-prioritize ruthlessly.
- Review key objectives and priorities in the light of current information.
- Balance 'business as usual' against new demands and changing priorities.
- Undertake risk assessments in respect of the impact on their key objectives and prepare and implement response plans, including short-term actions.
- Form multi-disciplinary teams that work across operations and functions to evaluate the challenges and options holistically. Model, stress test, and understand the implications of various scenarios.
- Empower designated staff to make decisions quickly.

Supply Chain

Suppliers will also have deployed aspects of their business continuity plans. Budget users should:

- Confirm how key suppliers intend to maintain their supply chain and the critical business continuity assumptions on which this is based.
- Study critical processes in detail, getting more information from suppliers as required to assess potential risks resulting from non-performance or the stoppage of services.
- Understand how their contracts work and maintain safety and transparency if alternative suppliers are used.

Financial Management

Maintaining effective financial management in accordance with requirements and obtaining value for money from the resources deployed remains essential, as does maintaining trust and transparency through regular financial reporting. Budget users should:

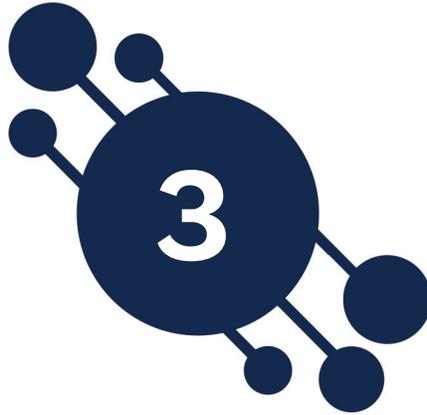
- Ensure that they can continue to make essential payments, support businesses, and pay employees and suppliers.

- Use scenario analysis to examine and stress test liquidity and prepare response plans to ensure sufficient cash is and will remain available.
- Ensure that the design and implementation of extended or new payment mechanisms, including the use of grants and loans, are supported through robust risk management processes, including managing the risks of fraud.
- Ensure that there is transparency over assumptions, scenarios, and the basis of latest forecasts and estimates. As operational challenges are faced and decisions are made, forecasts will need to be revised, but these will often be more inherently uncertain and potentially short-term, based on varying scenarios.

Technology/Security

A widespread response to COVID-19 is a significant and default “work-from-home” mobilization to limit the spread of the virus. Organizations are experiencing an unprecedented amount of traffic accessing the network remotely. Recurring or prolonged interruptions in technology services will be amplified. Budget users should:

- Ensure that networks are load-tested to ensure that the increased traffic can be handled.
- Ensure that systems critical to operational priorities are understood, prioritized, and maintained where possible.
- Ensure home working arrangements maintain standards of data protection and security.
- Ensure security updates and patches are applied routinely.
- Ensure employees are aware of the need for vigilance and the dangers of opening attachments and links from untrusted sources.
- Ensure monitoring for attacker activities deriving from work-from-home users.



THE IMPACT ON HOW INTERNAL AUDIT WORKS

This part of the report considers how the pandemic will change the way internal audit works. It addresses the main issues impacting internal audit work – planning, risk management, remote working, communication and reporting/open items – and identifies some of the specific challenges and opportunities that exist in each area.

Audit plan achievement is usually a key indicator of the performance of an internal audit unit. However, all audit plans are based on the underlying assumption that there is an ongoing business model. During the pandemic most organizations are operating in survival or crisis management mode, so internal audit needs to adapt its priorities. Arguably, internal audit units who continue to deliver on their plans may not be doing the right things in these new circumstances.

In these times of crisis, internal audit needs to ensure that they follow the principle of “do no harm.” This has always been a consideration in terms of the timing of audits. For example, internal audit would not normally carry out an audit of the finance function at a time when the Finance Department was preparing the annual accounts. Internal audit units should consider postponing audits in parts of the business under stress.

Assignments should focus on just the key questions. In the current audits cannot progress per business as usual. Scope areas that are essential to be covered (particularly in areas not linked to COVID-19) should be identified and the focus should be only on these. Few business managers will have an interest in “nice to have” matters for the next 3-6-9 months. Likewise audit reports should recommend remediation of only the most critical issues; anything else will likely be challenged “you auditors are not living in the real-world”.

Figure 3. The impact on planned audit work

ISSUES

It is not business as usual. Audit plans are based on an ongoing business model. However public sector organizations are in survival mode so internal audit units need to review their priorities

Be agile in audit planning: shift priorities and capacity when necessary: but always keep stakeholders informed (Netherlands)

Move to quarterly plans that reflect changing priorities (UK)

Review all open audits: defer all or parts of audits that are not high priority

CHALLENGE

Not clear how long lockdown will last

OPPORTUNITY

Need to consider post-corona strategies

The annual audit plan is likely to need to be updated given the current situation and bearing in mind the internal audit standard requirements. When a specific situation (like the pandemic) does not allow internal audit to achieve its audit plan as intended, heads of internal audit are supposed to reassess the risks related to their audit universe. This is good practice and totally in line with international standards. Internal audit may not be able to do a lot of testing where data are not fully automated. Still, the audit will allow the auditor to assess the appropriateness of the design of the control. Internal audit may subsequently provide some limited assurance on the design only in an interim report. At a later stage the auditor can continue with the testing on the implementation of the controls and finalize a full report with proper assurance.

Figure 4. The impact on risk management**ISSUES**

Explore new emerging risks (IT, internal control/business continuity) and incorporate them in revised risk management strategies

Understand new risks/ projects and their risk profile

CHALLENGE

Public sector was not ready for this pandemic. Crisis-scenarios existed for disruptions that required business continuity, but not to this extent (e.g. health impact was neglected). This has resulted in crisis management instead of risk management. This is common for all

OPPORTUNITY

Many internal audit units have advised others on the need for business continuity plans but have none themselves. This is an important gap that needs to be filled drawing on the lessons of the COVID-19 pandemic

COVID-19 has reinforced, again, the problem with a “failure of imagination” in many risk management processes. A failure of imagination was one of the key learnings from the 9/11 tragedy, and it looks like many organizations have found themselves with a similar problem with COVID-19, and all its knock-on impacts. While not a major priority right now most organizations who have felt blind-sided by what has happened should be prepared, at the right time, to take a long hard look at their risk management processes.

In line with the lack of imagination, for most public sector organizations the pandemic came as a shock. There is a need to ask why the risk management systems failed in this instance. It is also clear that business continuity systems did not consider what to do when there is a general lockdown. One example from the United Kingdom was of data handling by external partners in India; when they were also subject to lockdown the UK public sector entities were denied access to their data.

Figure 5. The impact of remote working

ISSUES

Be clear about what is allowed, and (even more) what is not allowed when using IT-tools (Netherlands)

Optimize the use of the available resources ie, Microsoft Teams, Skype, and Zoom

Audits continue using the mandatory IT-tools. Interviewing via video-conferencing, secure handling of sensitive information

CHALLENGES

Financial systems are not integrated and information is disconnected (RSA) Need greater IT bandwidth to cope with remote working (Netherlands)

Difficulties of obtaining evidence as a result of the lack of access to the necessary tools. Can't fulfil assignments because internal audit lack methods to carry out remote audits – most audit is based on documents (Ukraine)

OPPORTUNITY

Remote working may result in smarter ways of working in future – with positive impacts on staff morale and the environment through less commuting

A major shift to full time remote working from home raises additional issues for managers to consider, even where remote working was a common practice in the past. These include the psychological impact of being denied close contact with others as well as the “cabin fever” that results from not being able to leave home. Moreover, this is a period when all the family is social distancing so staff with large families may not be able to work effectively during normal work hours. People living alone may feel particularly isolated and may both need and welcome work-based interactions with managers and clients.

A policy developed in the UK set goals for the work needed to be done by auditors but allowing individual staff to do as much as they can each day at a time that suits their needs. This supports their work/life balance. It is important to recognize that people can face a range of physical and mental health issues as the period of social distancing extends. As leaders, heads of internal audit need to acknowledge and help address this. In this environment there can be a benefit in making sure that people are kept busy.

Working remotely will impact the type of audit testing work that can be undertaken. For example, the inability to carry out physical inspections. However, this should

Figure 6. Impact on internal audit communication with staff, clients, and stakeholders

ISSUES

Maintain close contact with key stakeholders and clients/customers

Redouble efforts to have regular contacts with all staff - schedule catch up sessions with colleagues and develop method of reporting

Explore new and innovative ways to connect with clients from different geographical locations i.e. Zoom, Skype

CHALLENGES

Limited resources i.e. poor connection and high cost of data (RSA)

Ensuring that communication software that meets corporate security standards (Netherlands). The Netherlands have chosen to use Webex in conjunction with Skype for Business as mandatory communication tools for such security reasons

OPPORTUNITIES

Investing in internal audit software and IT expertise (RSA)

Testing of innovative ways of connecting with staff that can be applied in future. E.g. on-line meeting spaces

not impact the quality of audit work undertaken. If internal audit units cannot undertake work with sufficient quality, then they should postpone this work until this can be done. Internal audit should explore innovative ways to connect with clients, such as Zoom and Skype.

The Netherlands now sign reports digitally. Audit management software is still in use and helps to ensure an audit trail for the work undertaken.

Internal audit units in many countries cannot fulfil assignments. They lack methods to do distance audits – most audit methods are based on documentary reviews.

In many countries there is a significant rise in the use of technology to communicate with staff, clients, and stakeholders. However, in some countries there can be practical limitations on people's ability to connect, for example the lack of laptops, the lack of home WIFI connections, and also the high cost of data communication.

Figure 7. The impact on reporting and open items

ISSUES

Need to report in a different way because management will not have time to review old style reports

Need to find innovative ways of reporting to managers who are busier than ever and working in crisis mode

Four examples provided of different reporting formats. Audit heat map, project dashboard, process visualizations and project assurance map

Review all open items. Determine which must be completed (and by when) and which can be put on hold

CHALLENGE

Need to persuade managers of the benefits of new ways of reporting

OPPORTUNITY

To test new ways of agile and briefer reporting that could be used in future

In general, leaders need to make more time to have direct contact with their staff in this time of crisis. The goal should be to connect with all direct reports at least once a week; this might include dedicated webpages, blogs by central harmonization units and heads of internal audit, morning coffee meetings, and on-line quizzes. The Netherlands Central Internal Audit Service has devoted resources to developing more on-line courses, some in partnership with training providers, so that staff can continue to meet their continuing professional development requirements.

Managers in survival or crisis management mode need to get key information quickly and accurately. Auditors could test out different ways of presenting findings, generate feedback, and revise as necessary. Below are four examples of different reporting formats: Audit Heat map, Project Dashboard, Process Visualization, and Project Assurance Map.

Audit heat map

An audit heat map sets out a process in steps. It shows the key controls tested and the results using a traffic light color coding. See Figure 8.

Project dashboard

A project dashboard provides a traffic light indicator for all the stages of a project allowing managers to focus on those areas which are not performing well. See Figure 9.

Process visualization

A process visualization shows the relationships between different steps in the process and may help identify processes that are being by-passed or of limited benefit. See Figure 10.

Project assurance map

A project assurance map makes it easy to see the different departments in a project, what assurances they are providing, and where there might be the need for more assurance. See Figure 11.

Internal audit also needs to revisit past recommendations that are still outstanding - often referred to as "open items". Internal audit should be careful not to stress managers by applying the same criteria when reviewing open items. Priorities will have changed, and internal audit needs to consider whether old recommendations are still valid.

Figure 8. Audit heat map example

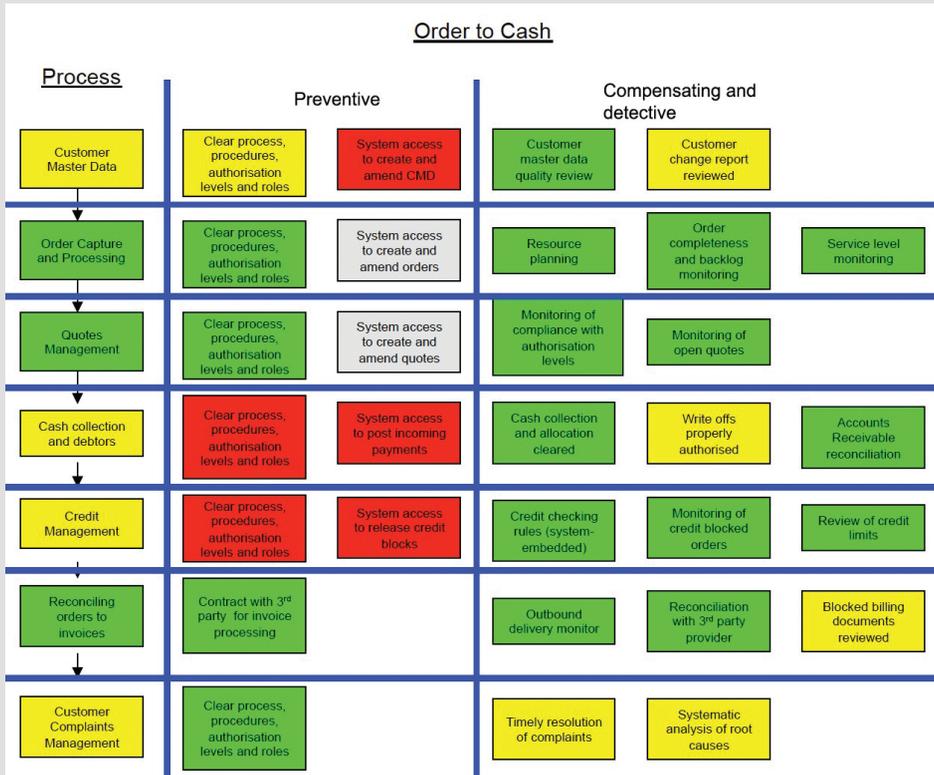


Figure 9. Project dashboard example

Risk area	Rating	
Business case & Requirements		Business Case with formal approval. Assurance provided at all levels
Risk Management		Risks managed at all levels and on corporate risk register.
Resource & Scheduling		Initial project resources established, however resources for peak periods not yet defined and key stakeholders to support this yet to be engaged and no second or third line assurance.
Project Management		Assurance through project team and third line through Internal Audit on a cyclical basis. No involvement by Corporate Programmes
Supplier Management		First and Second Line through Project team and Senior Managers with relationships with vendors. Third line through supplier reviews.
Testing		First line and third line. Lack of second line which would have been useful in a technical area
Finance & Benefits		All levels of assurance
Crisis & Reputational		Some elements of second line through consultation with Corporate Communications
Implementation		Lack of second line assurance in a highly technical area.
DR/BCP		Second line assurance through business resilience not in place. Some third line through Internal Audit.

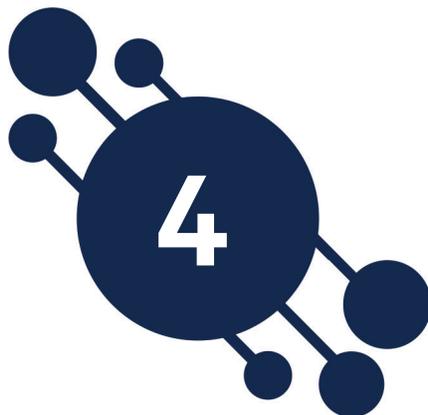
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Figure 10. Process visualization example

The diagram illustrates a process flow starting from 'Process Start' (96,946 cases) and ending at 'Process End' (96,946 cases). Key steps include 'Create Request' (16,535 cases), 'Approve Request' (16,535 cases), 'Create Purchase Order' (96,946 cases), 'Book Invoice' (83,504 cases), 'Pay Invoice' (81,951 cases), 'Receive Goods' (70,672 cases), 'Remove Payment Block' (8,426 cases), and 'Scan Invoice' (77,116 cases). Durations between steps are indicated in days, such as 2 days for 'Create Request' to 'Approve Request' and 34 days for 'Create Purchase Order' to 'Scan Invoice'. A legend distinguishes between 'Cases with this connection' (solid blue lines) and 'Cases without this connection' (dashed blue lines).

Figure 11. Project assurance map example

Risk area	SG	Project	PMO	Operations	IT	Finance
Business case						
Risk Management						
Resource & Scheduling						
Project Management						
New process design						
Supplier Management						
Testing						
Finance						
Benefits						
Configuration & Data Management						
Implementation						
DR/BCP						



THE IMPACT OF THE PANDEMIC ON THE ROLE OF DIFFERENT ACTORS IN PUBLIC SECTOR INTERNAL CONTROL

This part of the report looks at issues that impact different actors involved in public sector internal audit.

4.1. Heads of internal audit units (chief audit executives)

Heads of internal audit have a key leadership role in supporting their staff during these difficult times. Strong leadership and communication skills are needed. Staff will be facing different challenges: for example, the auditor who cannot rely on the use of his home computer because this is being shared by all the family; or the auditor who lives alone and is being starved of social contact.

Some practical tips for heads of internal audit are shown in Box 1.

Box 1. Practical tips for heads of internal audit

- Make sure everybody has a laptop
- Set up procedures for working from home and train people
- Set up a plan for regular remote communication Ensure sufficient VPN access
- Support all your auditors to get and stay home
- Maintain social distance for people who need to be in the office
- Be involved in the crisis management calls of the wider organization
- Define the internal audit business continuity plan arrangements
- Consider impact on the audit plan
- Perform ongoing audits remotely if possible
- Postpone ongoing audits in areas that are under stress:
 - Assess new audit assignments based on current priorities
 - Extend due dates for corrective actions based on new risks/priorities
 - Do not stress auditees with “unsatisfactory” reports in keys areas
 - Help the business (1st & 2nd line of defense) when possible and needed
- Ensure safety of staff

4.2. Central Harmonization Units

The CHU in most PEMPAL countries has a critical role to play in providing advice and support to internal audit units. The heads of internal audit may be very lonesome people at the moment who will benefit from contact with CHU experts. CHUs should consider hosting weekly meetings with groups of heads of internal audit. They could also promote virtual rooms for heads of internal audit to meet with each other – this could be very helpful for many. The CHU could also organize webinars for the various internal audit functions.

Where internal audit is decentralized this will influence the relationship with the CHU. In some countries, for example, the CHU did not issue any specific guidance for internal audit to follow during the pandemic; but instead suggested that internal audit units follow the rules introduced by their authorities/ministries.

Where the CHU is also supporting the introduction of internal control, they should be monitoring carefully the impact of the pandemic on the veracity of financial management and internal control.

Some ways in which the CHU could help internal auditors include:

- Create a dedicated page on its website with regard to the COVID-19 impact on internal audit activities. Update the page almost daily with internal and external news and developments, providing practical tips, tools, and examples to follow.
- Organize a weekly skype/Zoom meeting with all heads of internal audit. Share problems and solutions to support each other.
- Organize separate meetings with each internal audit unit.
- Organize webinars on specific topics. Keep them short. Allow sufficient time for questions.
- Distribute sample internal audit business continuity plan arrangements.
- When requested by the head of internal audit, join an organization's internal audit unit meetings to give guidance to teams working in specific sectors (e.g. health, education, etc.).
- Assign CHU staff to be in charge of coordination and advice to internal audit working in dedicated sectors or subnational governments.
- Provide regular guidance to ease or replace formal requirements issued by the authorizing ministry (usually the Ministry of Finance) taking account of internal audit's role in the current crisis.
- Move to electronic signature for all documents.
- Draft necessary revisions to legislation and regulation to support internal audit activity.
- Establish virtual working groups with leading national internal audit professionals to develop just-in-time policy and guidance.
- Regularly follow up on the good practice notes produced by international organizations and networks (including PEMPAL).
- Establish internal audit communications policy/guidelines.
- Review revisions made to annual audit plans to advise on the relevance of the response.
- Establish a cybersecurity protocol for communication between the CHU and internal audit units, and within internal audit units.
- Lead on advancing existing audit management software, or immediately beginning development or procurement of software; including roll out arrangements and necessary training of internal auditors.

- Conduct a stock take on the availability of computer hardware and software for internal auditors to operate effectively during the crisis. Assess the gaps and propose solutions (including, for example, through redistribution of unused hardware or renting devices for this period).
- Use this momentum to assess the potential for technology and remote work solutions for internal auditors now and in future.

4.3. Supreme Audit Institutions

Supreme audit institutions – the external auditor of Governments – are similarly examining how they can continue to carry out their audit duties while minimizing the impact on front line staff so as to not compromise the emergency response in progress. An example is the UK's supreme audit institution, the National Audit Office, which closely matches actions summarized in this paper (see Box 2).

The pandemic has encouraged centralized internal audit units in the UK and the Netherlands to work closely with their respective supreme audit institution to ensure that audits are properly coordinated and do not stress the emergency response. This is something that all internal audit units should do.

4.4. Audit Committees

Audit committee meetings are continuing in those countries where they are fully functional. The main impact on audit committees has been the need to meet online rather than in person. So far this does not appear to be a major problem in terms of the role of the committee.

Going forward, audit committees will need to look carefully at the impact of the pandemic on the deviation from audit plans that will arise.

Box 2. Example of changes in priorities: statement by the National Audit Office – NAO

As the UK's independent public spending watchdog, we will continue to fulfil our statutory duties to support Parliament during this challenging time.

We are mindful of the pressures COVID-19 is placing on government and are carefully considering our work to ensure we do not compromise the emergency response while providing Parliament and the public with timely reporting to support accountability and learning.

We are continually engaging with clients and reviewing our financial audit and value for money program to take account of the situation as it develops.

...

We are currently reconsidering the NAO's existing program of value for money work.

We will continue with our planned work as far as practicably possible

.....

In light of the wide range of activities that form the Government's response to COVID-19, we intend to carry out a substantial program of work to meet Parliament's accountability requirements.

This will include looking at government preparedness for the pandemic, the spending on the direct health response and also the spending on measures to protect businesses and individuals from the economic impact...

We will carefully consider the timing and nature of any work to minimize the impact on departments at this exceptionally busy time.



Annex: Agenda

1. Opening Remarks

Mr. Dan Boyce / Practice Manager, Governance, the World Bank

Ms. Edit Nemeth / IACOP Chair and Internal Control Working Group Leader;
Head of Central Harmonization Unit, Ministry of Finance, Hungary

Moderator: **Mr. Arman Vatyán** / PEMPAL Program Leader and IACOP Lead;
Governance, the World Bank

2. Internal Audit reaction globally to the COVID-19

Mr. James Paterson / Internal audit global expert

3. Impact on the role of internal audit - examples from the Netherlands, Ukraine, the RSA and the U

Mr. Manfred van Kesteren / Audit manager, Dutch Central Government Audit Service

Ms. Ruslana Rudnitska / Internal Audit expert, Dutch National Academy of Finance and Economist

Ms Nontando Myeza / Internal Audit Support Directors, National Treasury, MOF, the Republic of South Africa.

Mr. Nathan Paget / Chief Internal Auditor, Government Internal Audit Agency

4. Commentary on the benefits and drawbacks of the evolving role of Internal Auditors

Mr. Jean-Pierre Garitte / WB consultant, EC Audit Progress Committee member; former Chairman of the Global IIA Board

5. Questions and Answers

Mr. Arman Vatyan / PEMPAL Program Leader and IACOP Lead; Governance, the World Bank

6. Closing Remarks

Ms. Ljerka Crnković / IACOP Audit in Practice Working Group Co-Leader; Senior advisor, CHU, MOF, Croatia



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