INTERNAL AUDIT IN THE COVID-19 ERA

A global glance at responses to the pandemic
INTRODUCTION

COVID-19 creating unique demands, opportunities

Internal auditors must think ahead to stay relevant, but few can say they ever prepared for a prolonged slowdown in operations such as the world is experiencing today. The COVID-19 pandemic presents the most rigorous test of business continuity imaginable — a massive economic disruption by a terrifying disease in a world that has become significantly more intertwined. Internal auditors must weigh how the pandemic is affecting their organizations, how to help, and how to stay relevant by bringing new value to the table.

The IIA talked to heads of audit from across the world, including Europe, the United States, Africa, South America, India, Australia, the Middle East, and Malaysia, and discovered they are bringing value in a variety of ways. While some face crises within their own teams, they are shifting focus to new ways to help their organizations come out stronger on the other end. These disruptive changes to work patterns are unlikely to be temporary, and they are placing new demands on many of the competencies internal auditors strive to excel at: being nimble, auditing remotely, analyzing data, monitoring cyber controls, and managing crises, to name a few.

As organizations make heavy demands on internal auditors to help them deal with the many issues that arise as a result of the COVID-19 crisis, internal auditors must keep up. They may also get pulled into new roles that may test their independence.

Yet, working closer to the frontline doesn’t mean sacrificing internal audit principles. Far from it. Maintaining independence in terms of accountability and reporting, maintaining an objective mindset — these essential attributes can be preserved while still adding maximum value. Far from getting out of the way, internal audit should be in the thick of it.
ADDING NEW DIMENSIONS

Working in a COVID-19 environment

Focus on organizational success

*Internal audit must look to provide value* in a practical way and help the organization move from crisis management to issue management, to short-term risk management, to long-term risk management. Along the way, it must also make sure lessons are learned from the COVID-19 pandemic.

Internal audit should embrace this unique opportunity to:

- Participate in crisis management committees.
- Identify new and changed risks.
- Eliminate duplications and bottlenecks in new processes.
- Be agile, including finding ways for internal auditors to work remotely.
- Ramp up data analytics.
- Provide answers as the liaison to the board and the audit committee.
- Be a humble but confident protector and nurturer.
- Work closely with those with first- and second-line roles, as well with external audit, by asking “How can we help?”
- Prepare to deal with pressures to “cross the line” by assuming management responsibilities.

At the same time internal audit must continue to provide assurance and insight on “business as usual” risk and risk responses. It is important not to overlook areas of risk such as compliance that remain part of the risk landscape.

Find ways to contribute, learn, and grow

Clearly there is no single solution. Internal auditors are reviewing what had previously been robust audit processes to determine their suitability under present circumstances and are brainstorming new approaches. That means there is much learning going on. Rather than scrapping audit plans, new dimensions are being added, audits are being reprioritized, and creative ways to gain remote access are being discussed. The knowledge gleaned from these activities can be put to good use benefitting the organization — and expanding the value of internal audit’s role within it.
Even if internal audit did not contribute to existing crisis plans, it is never too late to start — perhaps in an advisory role. Practitioners can work to keep internal audit at the forefront by focusing on business continuity and helping senior managers who may be relatively new. Some internal auditors are being asked by boards to monitor compliance, focus on fraud risk, back up crisis management resources, and prepare for the transition out of crisis management. Such roles can be embraced within an independent capacity by maintaining accountability to the board and applying an objective mindset.

Internal auditors should leverage this crisis as an opportunity to change their own mindsets, adopt other ways to work, and embed those actions in the operations of their functions and organizations going forward.

**Show leadership**

The COVID-19 crisis is creating the need for new processes, and internal audit should be involved. For example, in managing disruptions in global supply chains, internal audit can look at procurement processes and follow supply chains from beginning to end and identify constraints. Public responses to the pandemic itself provide additional examples as missteps are exposed related to virus testing (e.g., not enough kits, not enough chemicals and swabs, not enough lab space).

By identifying changing risk exposures, as well as the need for corresponding changes to risk responses, internal audit exhibits leadership that supports the organization’s efforts to move forward. For example, by understanding and articulating the risks associated with cloud computing or platforms for teleconferencing, internal audit activities can take a leading role in providing benefit to the organization, as well as to internal auditors who are suddenly having to audit remotely.

In some cases, when assurance engagements are suspended or reduced, internal audit’s focus may turn more to advisory services. Identifying risks and making contributions, all the while staying independent, can be done by refraining from decision-making and “owning” associated risks. If that becomes untenable, if “lines” are crossed, internal auditors can either assign subsequent assurance engagements of areas they worked on to a teammate or hire a third party.

**Exercise your relevance**

Embracing technology is critical at this time. Advanced use of data analytics, robotic process automation, and artificial intelligence allows practitioners to continuously monitor for and more easily detect fraudulent activity and patterns of corruption, and it can be done remotely. Having those systems ready to apply to government loans, for example, will allow internal audit to focus its efforts elsewhere. There may be an increased risk of material misstatement because accurate record-keeping processes could suffer at the expense of focusing on the immediate crisis. It is important to maintain data quality during these turbulent times so the lookback at 2020 will be accurate and comparable to previous years.

Providing assurance about new risks and new plans to mitigate them is vital, especially as the inclination is for corporate directors to stay out of management’s way during the crisis. However, directors need good information now more than ever to guide and support new strategies. Who better to provide assurance on the reliability of that information than internal audit, especially about long-term implications of actions taken during a crisis?
CONCLUSION

Demonstrate that you are indispensable

The COVID-19 crisis provides an opportunity for internal audit to display its unique skills and perspectives and reshape dated views of its value to management and organizations. Internal auditors can be the champions of crisis management and should refrain from saying they are unable do something because it may create a conflict of interest. This is internal audit’s time.

It is important for internal auditors to stay technically up to date and access IIA resources to stay relevant. Internal auditors, even in this difficult time, maintain a thirst for learning, as can be seen in the high participation rates for webinars, online training, surveys, and discussion forums.

This knowledge and training will position internal audit to provide not only valuable insights as restrictions are eased and more traditional business and work practices resume, but also help organizations anticipate and prepare for future “intelligent shutdowns” should there be subsequent or seasonal instances of COVID-19. Internal auditors must be very much present and offer support. Internal audit is indispensable to governance — now more than ever.
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