

The Impact of COVID-19 for internal auditors in the Public Sector- Webinar report

Introduction

Introduction of the ECIIA Public Sector Committee that was set up in 2018, with the objective of promoting good governance in the European Public Sector.

Introduction of the panellists:

- Pascale Vandenbussche: ECIIA Secretary General
- Melvyn Neate: ECIIA Public Sector Committee Chair
- Jens Motel: ECIIA Board Member
- Soldedad Llamas Tutor: ECIIA Public Sector Committee member
- Patrick de Boom: Internal Audit Service, European Commission
- Jo Rowley: ECIIA Public Sector Committee member
- Massimo Proietti: ECIIA Public Sector Committee member
- Manfred Kraff: Director General for the European Commission's Internal Audit Service

About the webinar

Covid-19 is impacting internal auditors, in the same way as it has done to almost every aspect of society. It is putting unprecedented strain on the organisation of audit departments, the audit process and the planning.

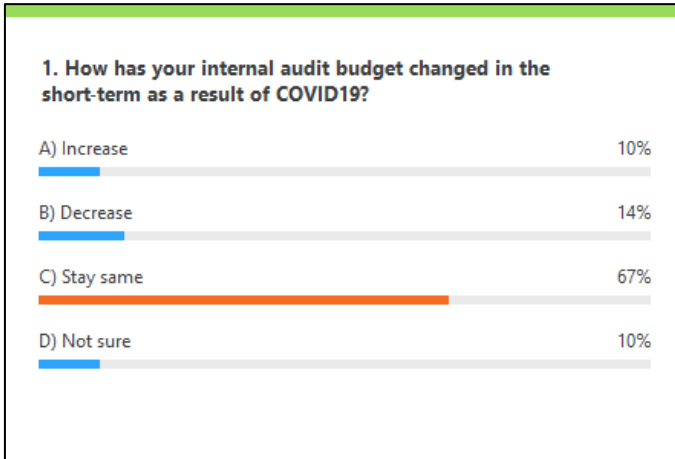
The objective of the webinar is to share the current challenges faced by internal auditors in the public sector and to ask for feedback on the main issues, through the use of polls.

There has been up to 183 participants during the webinar.



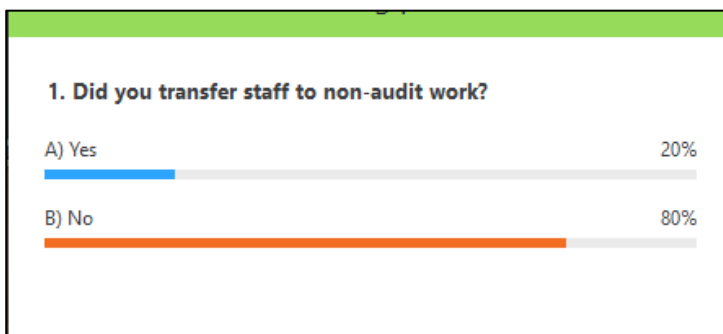
POLLS

1. How has your internal audit budget changed in the short-term as a result of COVID-19?



There is great financial pressure in all organisations with many, issues to address both now and in the future. Let's hope that the budget increases shortly, as Internal Auditors have a great role to play in fighting COVID-19 and assisting organisations managing the crisis and its consequences.

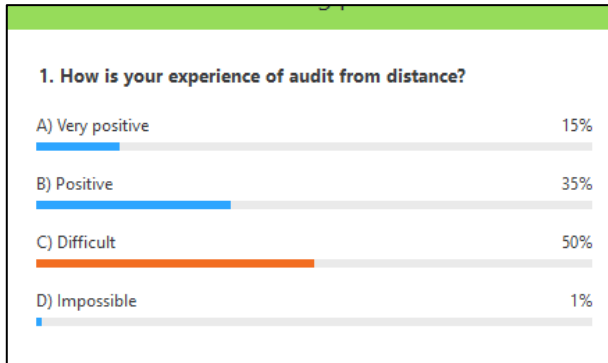
2. Did you transfer staff to non-audit work?



In Germany, due to COVID-19, tasks have been delegated and internal audit staff have been transferred to other activities in many organisations. The crucial aspect has been to keep their independence.



3. How is your experience of audit from distance

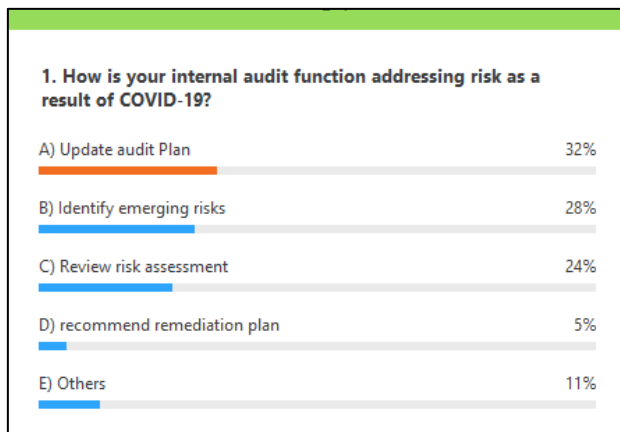


The IAS of the Commission went immediately into remote working which, initially was hard. However, now everything is going well, and it has been overall a positive experience with video conferencing being cheaper, quicker and meetings output almost the same as a real-life meeting. The minutes have been facilitated as the exchange of emails has become more structured, but it needs better preparation.

The productivity has been mostly maintained – at 86% - and around 80% of employees for the European Commission prefer the current way of working with more remote working and less time in the office.

It is harder to work virtually when you meet new people.

4. How is your internal audit function addressing risk as a result of COVID-19?

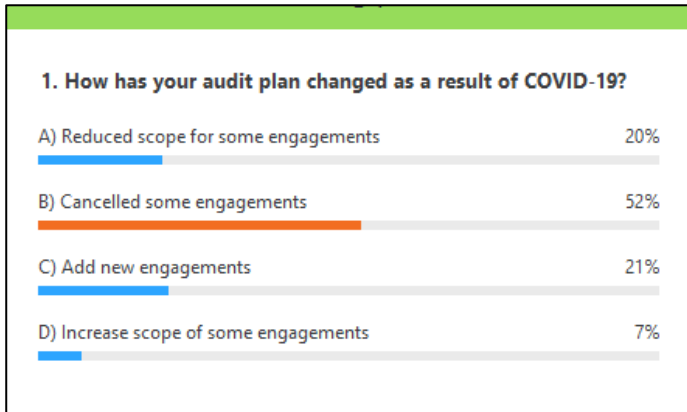


Audit plan update: score could be higher but it suggests that it has been difficult for people to quickly react, as well as full remediation plans.

In the UK, the customers have been split in 3 categories: those significantly affected, those partially affected and those minorly affected. This way, internal auditors have been able to better define the changes required to the audit plan.

Risk assessments and audit plans are updated on a quarterly basis. Rapid risk assessments/real time assurance, key controls reviews, and post-payment assurance are key at the moment with loans, grants, benefits. Data analytics is also becoming key.

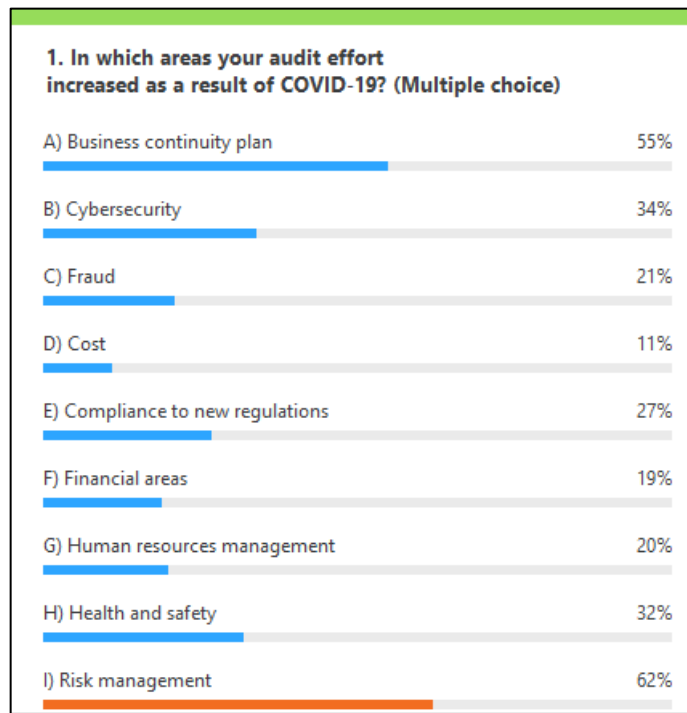
5. How has your audit plan changed as a result of COVID-19?



In Italy, the public sector has changed 42% of the audit plans and increased the scope of engagements to include COVID-19 impact (compliance with new legal measures). Cybersecurity risk has also increased due to the remote working.

The cancellations results are high but can be explained by the compliance with regulation changes.

In which areas has your audit effort increased as a result of COVID-19?



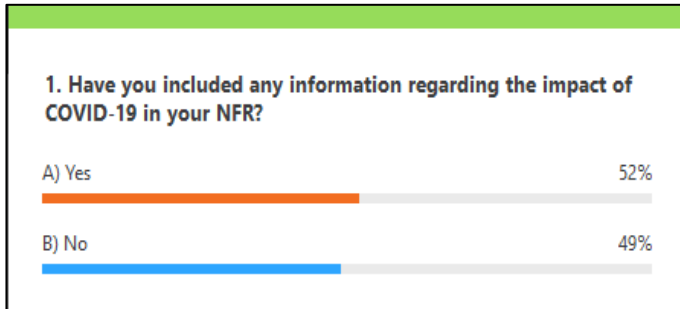
Financial cost & fraud considerations & cyber security issues & risk management are key in the UK at the moment.

Compliance is higher than expected, (not as high in the UK).

It makes sense that risk management has the highest result and should always be looked into and analysed.

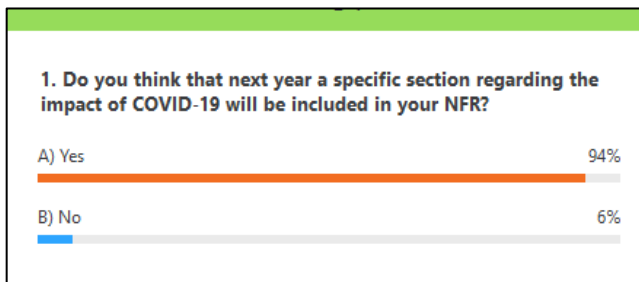
6. Have you included any information regarding the impact of COVID-19 in your NFR?





Perhaps this is due to not having reported yet. In Spain, private companies do integrate the information Covid-19 in their NFR but in the public sector, it is rare.

7. Do you think that next year a specific section regarding the impact of COVID-19 will be included in your NFR?



ECIIA & EUROSAI are finalising a project on non-financial reporting in the public sector.

3 surveys have been conducted in ...countries in Europe and feedback has been received from external and internal auditors.

The main areas covered are

- How did your country transpose the EU Directive 2014/95 into national law?
- Is there a specific obligation for the public sector?
- Are there any ongoing initiatives in your country to promote integrated reporting in the public sector?
- Which standards are applicable to the reporting on non-financial information?

The next steps are:

- a webinar in June to discuss the results
- Final report end July
- Conference in Autumn 2020



Keynote speaker: Manfred Kraff, Director General of the Internal Audit Service at the European Commission.

Very interesting poll results – The Internal Audit Service at the Commission is close to the main answers of the questions.

The new Commission has aimed for a more digital Commission and the current experience is positive as the European Commission has succeeded in working remotely. They are also responding to the Coronavirus crisis. “Using every euro in every possible way to protect citizens from the coronavirus” – “aims to help repair the economy”. “The greatest risk of all is the policy of being too cautious or too rigid.”. The Member States have more responsibility.

Parliament “will cooperate with other EU institutions to save lives, protect jobs & business and to drive social and economic recovery. It will stand ready to hold them, with other EU institutions and especially the Commission, accountable for their actions. They acknowledge the need to mobilise funds to help Member States to meet their needs to fight against the consequences of the coronavirus.”

Internal auditors have logistical problems now but there are possibilities to do remote audits. Some projects are more difficult to finalise remotely, and some documents are not accessible remotely but globally, internal auditors can perform their work under the new circumstances and like it. There will be a new model for internal auditors in the future.

The assessment of the Covid-19 impact has been included in the audit plan and will have an impact until the end of the year. It is also more important than ever to coordinate the 3 lines of defence to respond to and to mitigate the new risks.

The biggest risks are internal control changes, reliability of the accounts (fair view), compliance and performance. Internal controls changes have become crucial due to people having to work with a new model and having to aim to get used to this new situation with a “new normal”. Control of audit procedures is crucial.

Reliability of the accounts is key, especially in terms of solvency issues (faced by many). There are also new eligibility rules, which people need to get used to in terms of the capacity of their systems and the implementation of new measures, eg, financial corrections and beneficiaries of the Member States; this will, therefore, affect effectiveness.

Compliance – financial and economic difficulties with our beneficiaries. Solvency issues will also emerge in terms of finalising projects. – which could lead to weakened assurance. Corrective capacity of our systems – at the Commission.

Performance – important issues of determining the impact of COVID-19 on the internal audit industry and society. Resources might become scarce as well as political implications as some risks cannot be mitigated.

Q&A

- 1. Are there any auditors who audited pandemic risks before COVID-19?**
 - a. No. However, a few years ago the UK integrated some risk process for the Ebola disease.
- 2. Do some of you include pandemic risk in your risk register before COVID-19?**
 - a. Some have included pandemic risk but not to this magnitude in terms of long-term. The contingency plans that were created for the short-term are not enough for this scale and this is for example the case in the Commission, which has pandemic risk in its business continuity plans.
 - b. UK Central Government department for international development have some experience in auditing in remote conditions.
 - c. NHS did a big review 3 years ago saying that our hospitals couldn't cope during the pandemic, which was ignored by politicians
 - d. Many organisations will have featured pandemic risk in their risk registers, albeit with a high impact rating but relatively low likelihood
- 3. Which type of audit is included in your plans due to COVID-19?**
 - a. Different measures will be put in place to be adopted by the Council and the Parliament. Preparedness will be implemented in the risk management processes and the plans. The level of risk appetite will be defined, and we need a higher level of risk mitigation.
- 4. What are the services in your company and what role has IA played in your company – for Soledad?**
 - a. Water supply. Water service is very important for the fight against Coronavirus. We will analyse the company response as internal auditors as this is our main function of our company.

Closing remarks

Reference to the Public Sector Committee LinkedIn Group.

Closing comment – COVID-19 has changed our working lives and there will be huge lessons to be learnt for the future with an important role for internal audit. This will be the new normal. Risk profiles will be changed forever with huge financial future risks for the public sector. Three final messages:

1. The role of trusted advisor as an internal auditor is key and is now more important than ever.
2. Heads of internal audit need to be communicating with customers and teams, especially with remote working.
3. Keep safe!



Questions not answered during the webinar:

1. Where should internal auditors make changes in their ways of working to adapt to exceptional circumstances quicker?
Internal audit should always be flexible and be able to respond to the fast and ever-changing risk environment.
2. Could technology be the answer for an internal audit revolution in the post Covid-19 era?
Yes, greater use of technology for audits is inevitable. Use of data analytics is a growing and notable example.

