

SUMMARY REPORT

19 April 2021

The impact of the Covid-19 pandemic on the three lines

An ecoDa, ECIIA, FERMA event
Supported by the GNDI

On April 19, ecoDa jointly organized with ECIIA (The European Confederation of Institutes of Internal Auditing) and FERMA (The European Federation of Risk Management Associations) a virtual event to discuss the impact of the Covid on the three lines. This unprecedented crisis revealed the need for increased interactions between boards, auditors and risk managers (aka the three lines). The event brought together practitioners from the three professions to explore what changes should be envisaged to work together more effectively.

A crisis that has not spared any of the three professions

In the initial session, results of different surveys conducted by the GNDI (the Global Network of Directors' Institutes), the Directors' Institute of Finland, ECIIA and FERMA were discussed.

If up to 90%¹ of organisations were prepared to manage a pandemic, this does not mean that it hasn't been perceived as a challenge for the three professions. The Coronavirus crisis, by its global and paralysing nature, did not allow any other choice to boards, auditors and risk managers than to show adaptability and agility. While the pandemic accelerated growing trends such as digitalisation, the focus on ESG and sustainability issues, it has also revealed that the robustness of governance mechanisms is an essential element for organisational resilience.

1.FERMA, Risk Management, Recovery and Resilience, COVID-19 Survey Report 2020, December 2020

Along with predictable crisis related challenges (such as cash flow - a major problem for 44.3%² companies, supply chain management - for 48%³ of risk managers.), the three professions had to quickly adapt to new ways of working (from a quick pivot to remote and flexible working to strategically partnering with management and government bodies), with an increase of their time commitment (by 50%⁴ for board members), and a shift in priorities (internal audit functions have intensified their focus on outcomes, digital techniques, business continuity and communication, while on risk managers' side there has been a lot of engagement in setting up the recovery plan).

The speakers agreed on the fact that the Covid will have long lasting effects on the three professions. If it is clear that they will increase the use of digital tools (88%⁵ board members acknowledge that virtual board meetings will be maintained in the post Covid era) and data analytics, there will also be an increased emphasis on risk management which will include broader issues such as insurance, cyber and human risks (the audit focus on these two latest topics will increase respectively by 58 and 65%⁶).

However, among those various challenges, the Covid 19 crisis also offered some opportunities. Indeed, 75.5% companies have developed new operations modes, 29.9% have diversified their products and services while 21.2% witnessed an increased demand.⁷

Time to rethink the risk approach

As risk management will be one of the top priorities for companies in years to come, the speakers highlighted the need for more interactions between the three professions. The dialogue should be three-dimensional, clear and reliable. The different actors must have a forward-looking and a deep understanding of the business' priorities, strategy and risk environment since data alone is not enough. On the contrary, an intelligent interpretation of information is required.

For that reason, and in order to enhance the professional judgement of each actor, the speakers underlined the importance of training programmes. Subject to further debate, they also raised how moving towards integrated insurance together with designating a specific interlocutor on risk management could help avoiding diverging messages to the board.

2. Institute of Directors' of Finland, Covid Crisis Query, October 2020,

3. FERMA, Risk Management, Recovery and Resilience, COVID-19 Survey Report 2020, December 2020,

4. GNDI, 2020-2021 Survey Report Board governance during the COVID-19 crisis, January 2021

5. Institute of Directors' of Finland, *op.cit.*,

6. ECIIA, The impact of recent global trends on internal auditing and in the insurance industry, April 2021,

7. Institute of Directors' of Finland, *op.cit.*

Speakers : Nora Gürtler (Head of Group Audit of Assicurazioni Generali S.p.A. and member of ECIIA Insurance Committee), Leena Linnainmaa (ecoDa's Chair and Secretary General of Directors' Institute Finland), Dirk Wegener (FERMA President)

Moderator : Barton Edgerton (Associate Director, Research at NACD - the National Association of Corporate Directors in the US)

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