

Factsheet: IIA-Australia COVID-19 Survey Findings

Issue

Analysis of the results of the IIA-Australia Member Poll – COVID-19 Impact on Organisations and Internal Audit, conducted in June 2020.

Background

The background to this issue is:

- › In the first two weeks of June, most states and territories in Australia lifted (pandemic) restrictions in ways that facilitated ‘return to work’ directions from major employers.
- › In the first week of June 2020, the IIA-Australia sought input from CAEs and directors about the impact of COVID-19 on organisations in general, and internal audit in particular.
- › The survey had 17 questions, including 6 demographic questions.
- › The survey had 95 respondents. This level of response means that some general conclusions can be drawn from the individual findings.

Consideration

The matters to consider are:

Financial actions

The top three financial actions taken in response to the pandemic are that most organisations:

- › Explored short term cost cutting (62%)
- › Delayed major investments (46%)
- › Explored long term cost cutting (38%)

Strategic actions

The top three strategic actions taken in response to the pandemic are that most organisations initiated:

- › Detailed assessment of short-term impact (78%)
- › Business Continuity plan revised (75%)
- › COVID-19 updates provided to the board (75%)

There were also more actions that between 40% and 60% of organisations undertook.

Employee-focused actions

The top three employee-focused actions taken in response to the pandemic are that most organisations initiated:

- › Remote work arrangements (96%)
- › Communication strategy for key employees (75%)
- › New technology for remote work and related security (69%)

Customer-focused actions

The top three customer-focused actions taken in response to the pandemic are that most organisations initiated:

- › Comms strategy for customers (73%)
- › Communication strategy for key stakeholders (67%)
- › New policies for customer health and safety (46%)

Audit plan changes

The top three audit plan changes taken in response to the pandemic are that most organisations:

- › Cancelled some internal audit engagements (57%)
- › Added new internal audit engagements (56%)
- › Discontinued or reduced scope for some internal audit engagements (47%)

Audit staffing changes

The survey asked respondents how their internal audit staffing changed as a result of COVID-19, but the results showed no clear trend of change. 11 respondents skipped the question and a further 50 respondents identified ‘not sure/not applicable’.

For respondents that did identify change, twice as many identified a reduction (temporary or permanent) to those that identified an increase. This direction of change would seem consistent with the changes to audit plans, but we could expect more reductions, given 47% of respondents identified some reduction in audit engagement scopes (above).

Audit budget changes

The survey asked respondents about changes to their internal audit budget, but the results did not show a clear trend. 16 respondents skipped the question, and 60 indicated that their budget had ‘stayed about the same’ or ‘n/a’ (total number of respondents was 95).

For the few respondents that did identify a change, it was overwhelmingly downward. This is consistent with scope reductions identified in audit plan changes.

IA involvement in risk

The top three responses regarding involvement in risk responses to the pandemic were:

- › Reviewed risk assessment (57%)
- › Updated internal audit plan (60%)
- › Identified emerging risk (59%)

Audit effort changes

The survey asked respondents about where they have changed their audit effort. While most respondents indicated minimal change in most areas, some changes are significant (for greater than 30% of respondents):

- › BCP (up for 51% of respondents)
- › Compliance and Regulatory (up for 33% of respondents)
- › Cybersecurity (up for 56% of respondents)
- › ERM (up for 43% of respondents)
- › Health and safety (up for 43% of respondents)
- › Cost control/reduction (up for 30% of respondents)
- › Fraud (up for 53% of respondents)

Organisational resourcing

Most respondents (71%) felt that their organisation had sufficient resources to respond to COVID-19. Three respondents identified that they thought their organisation was under-resourced.

IA involvement

Most respondents (52%) considered that their organisation was involving IA in discussion of risk and potential responses. 19 (22%) considered that their organisation wasn't.

Level of concern

There was concern for long-term financial viability, with 8% of respondents either very or extremely concerned.

While most respondents (67%) were not, or only slightly concerned with long term financial viability, it is significant that 33% were more than 'slightly concerned'.

Demographics

- › 42% of respondents identified that they were from NSW, indicating the results may be more likely to be applicable to NSW, but are also likely to be applicable to Australia as a whole,
- › 42% of respondents identified that they were from the public sector, indicating the results may be more likely to be applicable to the public sector. (This is a weak assumption though without further analysis).
- › 42% of respondents identified that they represented IA functions employing 6 or more auditors.
- › 76% of respondents identified that they represented

organisations employing more than 500 employees.

- › The results for industry classification showed lower representation in industries primarily affected by shut-downs, such as retail (0%), transport and warehousing (2%), manufacturing (5%), construction (0%) and accommodation and food services (0%). This result is consistent with the responses that nearly all organisations had been able to respond with 'work from home' arrangements.

There are headwinds

Our members confirm that there are headwinds for their organisations as the pandemic continues. Some are very concerned about this. It is clear that some internal audit functions are being reduced, as their organisations face trading difficulties.

Even though the majority of respondents indicated lower levels of concern, the survey responses show that our overall risk environment has changed. The survey results show that most IA teams have moved to respond to the change.

We've got this

Our members, and the IA profession more broadly, have generally been well-placed to help with the responses to the COVID-19 pandemic.

IA teams are helping their organisations identify and respond to the risks posed by the pandemic. The top three actions that respondents indicated they have been working on are identifying strategic and operational risks (59%), revising risk assessments (57%), and revising internal audit plans (60%).

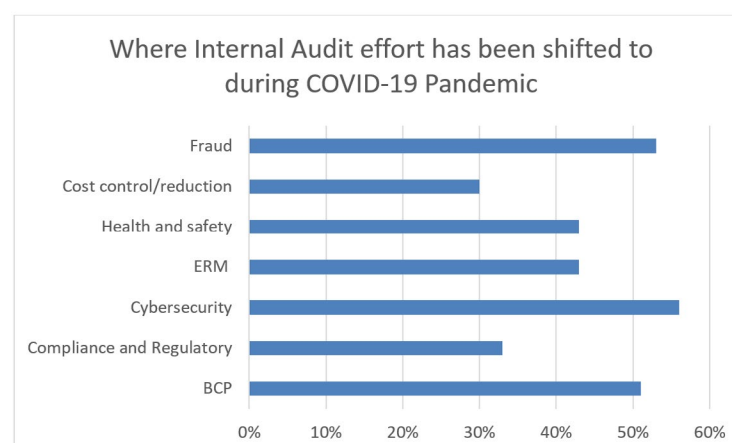
IA adding value

IA teams are adding value, and may have gained recognition within their organisations as a result of the value they are adding.

Most respondents (52%) considered that their organisation was involving IA in discussion of risk and potential responses.

IA teams have pivoted, changing audit plans to focus on immediate threats, including cost-cutting by descoping or dropping engagements.

The graph shows where respondents have seen audit effort focussed during the pandemic.



We could do more for our workplaces

There is also opportunity for more use of IA expertise to recognise or respond to pandemic risks. 19 (22%) considered that their organisation wasn't involving IA in discussions of risk and potential responses, so there is room to improve.

The survey responses provide some ideas about what others are finding useful (see graph), but there is also a question of timing, as many organisations may feel that the urgent tactical response is direct positive action, rather than following a 'normal' continual improvement cycle.

IA teams need to be sensitive to the need to 'hold the hose' – the concept that in an emergency (like a bushfire) it is always good to focus on immediate action that stops threats (putting water on the flames) and to leave the analysis and inquiries until after the event is over (once fire has been extinguished).

COVID-19 is still ongoing and threats to our organisations are still immediate, so executive management are likely to hold the view that even cursory reviews take up time that could be better focussed on supporting staff and customers or protecting the 'business'. IA teams can identify the need for collating lessons learned, but at some time in the future.

IIA-Australia has resources to help

Members can get very good guidance from IIA-Australia in key areas of increasing value, including BCP (related to pandemic), cyber security (related to remote, dispersed workforce) and fraud (related to business disruption).

Further reading and training in all these areas, and a recent case study on how Kempsey Shire Council has responded to the pandemic, can be found in the 'Library' on the MyIIA website.

Footnote

This Factsheet was written by Tim Kirby PFIIA CIA CGAP.

