



# HEADS OF INTERNAL AUDIT EXPERT PANEL – OUTPUT PAPER

*\*AFB Expert Panels meet regularly and produce Output Papers on behalf of the whole membership (see Note).*

## COVID-19 AND INTERNAL AUDIT / AUDITING CULTURE INSIGHTS

### A. COVID-19 AND INTERNAL AUDIT

The emergence of the COVID-19 pandemic has fundamentally changed the way we live and work. Organizations have been faced with significant disruption and the challenge of shifting to remote working, as well as planning for the imminent transition of people back to physical locations.

Internal Audit has a critical role to play and needs to respond quickly to help their organizations with the crisis and the likely prolonged recovery. This unprecedented time has required internal audit to review their plans and consider whether there are immediate risk areas that the function should prioritize as a result of COVID-19.

The Heads of Internal Audit panel discussed the impacts of the COVID-19 pandemic on their organizations, together with their views on new and emerging risks, and actions taken by their internal audit functions in response.

#### 1. New and emerging risks as a result of COVID-19 pandemic

Participants identified and discussed the following new and emerging risks facing their internal audit functions:

- Liquidity risk
- Credit risk
- Operational risk
- Regulatory risk
- Systems access
- Cyber risk
- Communication
- Resources
- Remote auditing
- Visibility of Internal Audit
- Paper-based processes
- Inadequate technology

- Data protection and information security
- People and behaviour
- Personal stress
- Face to face interaction, relationships and inclusion
- New joiners engagement
- Supervision
- Rogue trading
- Reduced productivity
- Conduct
- Fraud
- Uncertainty

## 2. Internal audit execution and reporting

Overall, most participants perceived that their internal audit functions had been unable to conduct and deliver audits as efficiently and effectively over the previous three months, particularly given the constraints of the current environment working remotely and the increased pressures on certain parts of the business.

Participants also highlighted that some functions had cancelled or postponed the delivery of large, complex audits and instead were focusing on more targeted projects and increased continuous risk monitoring on crisis-related risk issues.

Some participants highlighted that their functions were publishing ‘unrated’ audit reports, in order to accelerate the speed with which audit results can be finalized and communicated to the Audit Committee.

## 3. People

Employee wellbeing and mental health were identified as key considerations for organizations, particularly with a large proportion of the workforce working remotely. In addition, participants from organizations with physical branches advised that they have been focusing on the health and safety of their employees who were coming into face-to-face interactions with customers.

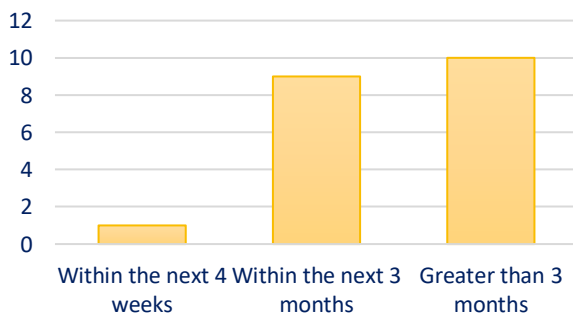
## 4. Physical return to work

Most participants highlighted that they did not believe their organizations will return to their physical work locations within the next four weeks. Furthermore, they did not expect internal audit functions to return to physical work locations within the next three months.

Refer below to **Graphs 1.** and **2.** for the results of the ‘physical return to work’ questionnaire completed by participants:

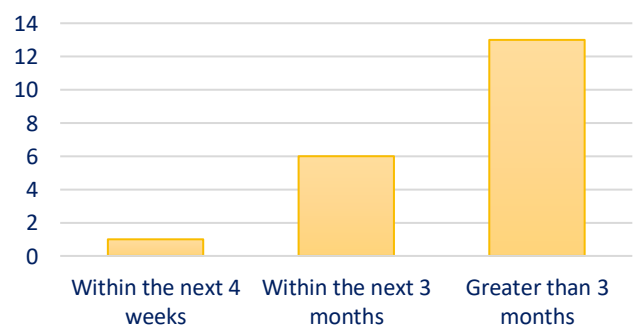
Graph 1.

**When do you think your organization will physically return to work?**



Graph 2.

**When do you think your internal audit function will physically return to work?**



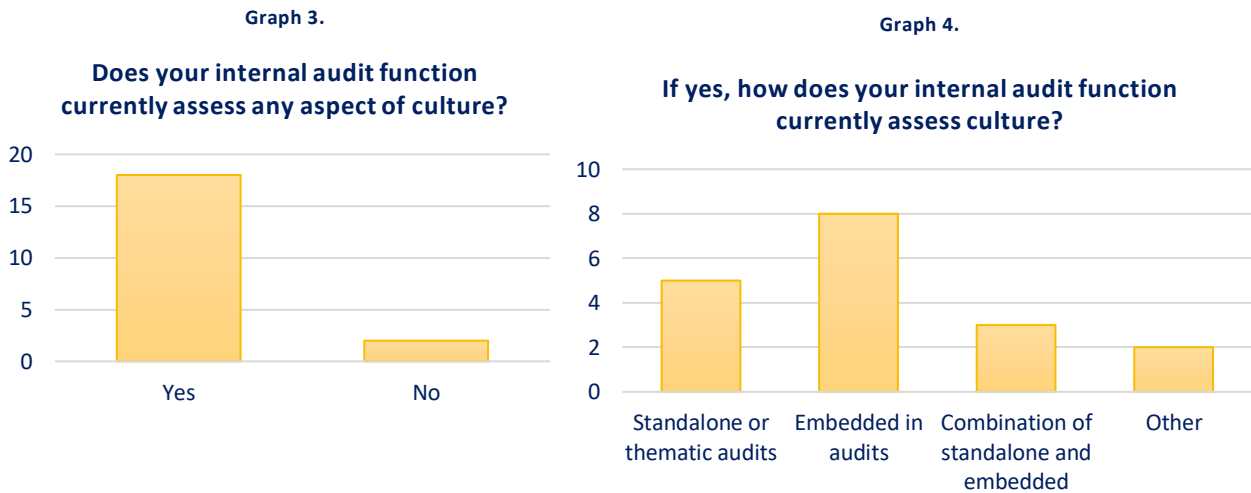
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## B. AUDITING CULTURE INSIGHTS

Participants highlighted that a focus on culture remains a key priority for their organizations and is seen as a key enabler to help assess whether their organization had embedded its purpose and strategy.

The majority of participants advised that their Internal Audit functions currently assess culture, whether that be through standalone / thematic audits, embedded as a component part within all audits or a combination of both approaches.

Refer below to **Graphs 3.** and **4.** for the culture questionnaire completed by participants and the results:



Participants highlighted that they were seeking innovative ways to assess culture. It was noted that many functions had progressed beyond the use of surveys and questionnaires, with some developing data-driven dashboards which can provide internal audit with a view of key cultural indicators. These could form part of business-as-usual internal audits for example, as a secondary rating or through commentary in the executive summary, or as a standalone review.

The majority of participants stated that their Internal Audit functions are considering undertaking more work in relation to assessing culture in the next 12 months, and this will likely include aspects of COVID-19, such as employee wellbeing and remote working.



## C. NOTE

Meetings of AFB Expert Panels are held in compliance with AFB's Competition Law Guidance. All issues discussed are included in the relevant Output Paper. AFB holds a central record of all attendees at Expert Panel Meetings. AFB Expert Panel Output Papers are intended as general guidance and no action should be taken in reliance on them without specific legal advice.

## D. QUERIES AND FOLLOW UP

If you wish to speak to one of the AFB team, please feel free to contact

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