Auditing in a Remote Environment – Considerations & Focus Areas

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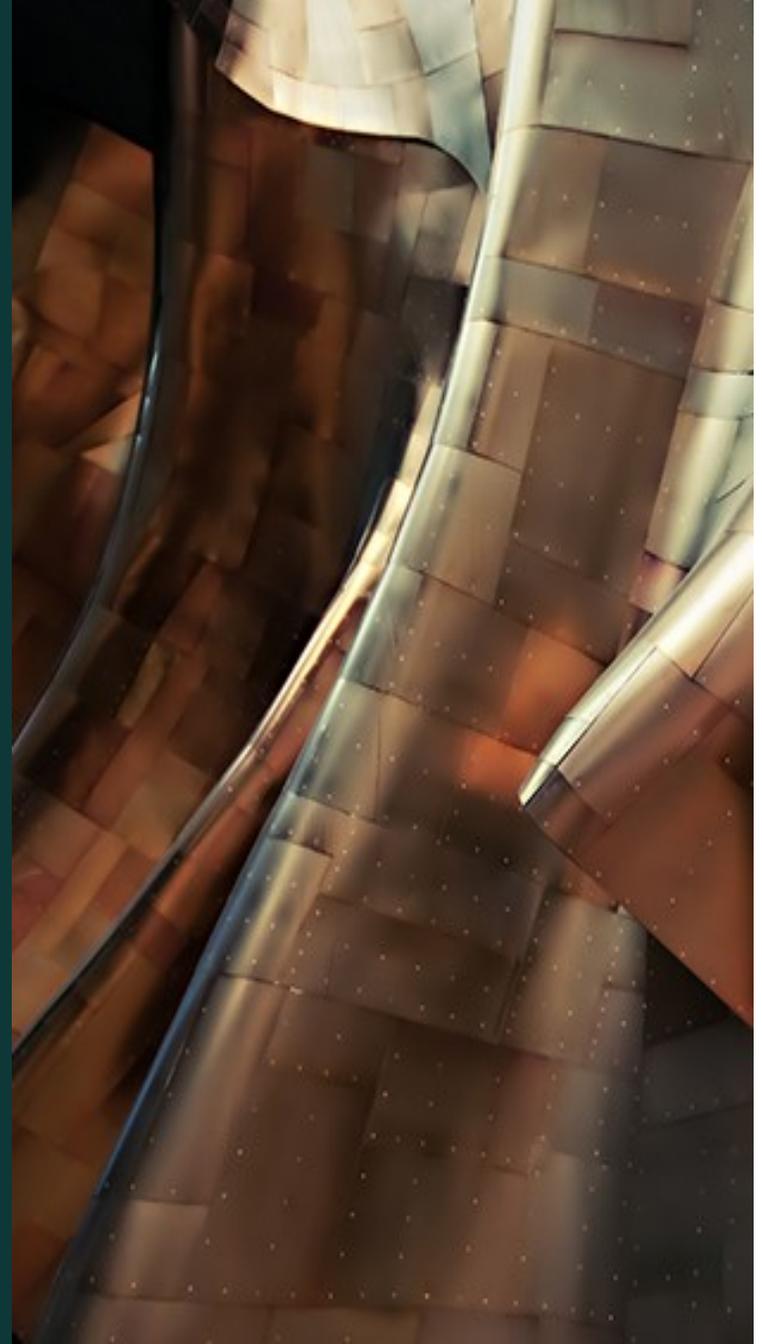
Agenda

- Considering disruption
- Scope consideration
- Remote audit procedures
- Remote supervision and development
- Fraud risks
- Pros and Cons

Polling Question

What have been your greatest challenges since the pandemic started?

1. Project management

2. Performing remote procedures

3. Feeling connected to co-workers

4. Accessibility of technology resources to work remotely

5. All of the above

6. Other

Considering Disruption

What are some of the most common disruptors that you have experienced working in this remote environment?

- Work/Life Balance

- Home distractions (e.g., kids, pets, etc.)

- Lack of motivation

- Video call fatigue

- Internal efficiencies

- Team efficiencies

Considering Disruption

In our experience we also found the following challenges that are more externally focused:

- Lack of team dynamic
- Auditee accessibility
- Document accessibility
- Building rapport
- Responsiveness

Considering Disruption

How to mitigate these factors:

- Block time in Outlook

- Schedule start times and end times (stick to them)

- Schedule breaks

- Use of technology to share screens

- Communicate expectations with stakeholders upfront and schedule check-in meetings

- Prepare! Provide additional lead time for requests.

- Alter expectations for timelines. Anticipate potential inefficiencies.

- Organization is key

Polling Question

How many audits do you have in your IA plan where you expect to perform work onsite or have in the past?

1. More than 5

2. 3-4

3. 1-2

4. None

Scope considerations

Question: Can we conduct audit procedures remotely?

- AICPA and IIA auditing standards generally address what evidence should be obtained and not how to obtain that evidence.

- There is no prohibition on performing procedures remotely.

- Technology implications: infrastructure, staff training, security and privacy

- Some organizations have been performing audits remotely for a while

- Auditing standards and stakeholder expectations require us to not limit the scope of our audit; as part of your planning you will need to reconsider how to perform certain procedures.

Remote procedures

Question: What if you cannot access the auditee's records?

- Those with paper only records can pose challenges or may be unwilling to share information electronically

- If they are sending copies or scans consider the following:

  - Completeness

  - Accuracy

  - Authenticity

  - Potential for fraud

- Some audit work may have to be delayed or modified to allow for on-site access

Remote procedures

Internal audit planning meetings should be held to ensure you plan ahead for inefficiencies, restrictions, and other complications due to remote environment challenges.

- Discussions should address:

  - Identify risks, e.g., fraud, operational, etc.

  - What procedures will need to be modified to be completed properly/effectively?

  - Other risks of misstatement or errors

  - Timeline

  - Stakeholder expectations

  - What resources will be necessary? (Technology, personnel, logistical, safety, etc.)

- Audit requirements and scope of the work still apply when auditing remotely

Remote procedures

Planning Tip: Perform a quick risk assessment focusing on recent changes

- Process Owners

  - How have your processes shifted to accommodate recent business changes?

  - Where have divisions of responsibilities shifted due to changes in personnel availability?

  - What new tools have been adopted to perform your usual activities?

- Senior management

  - What are the top risks related to the pandemic for your business area?

  - Where are there concerns that changes the organization made may have unforeseen implications?

- Audit committee/supervisory committee

  - Which areas of the business are of most concern?

  - What are the main strategic risks you've observed and what role could IA play in this?

Remote procedures

Auditors should consider how processes and controls have changed during the pandemic.

- Many institutions and branches have shifted from office environment to remote working for certain staff

    - We need to make sure we understand how this changes the process

    - Increased risk of control breakdown

    - Auditor scrutiny and skepticism should be heightened

- Will likely need to assess the controls and processes from both before and after remote working environment

- Does the process change affect the relevance of certain controls?

- Set expectations with stakeholders upfront on how the change in process can change the application of your audit procedures

Polling Question

What are your biggest concerns with regard to internal audit team supervision?

1. Lack of oversight

2. Inefficiencies

3. Not understanding the test

4. All of the above

5. "Team"?! It's just me.

Remote supervision & development

The need to properly supervise staff when performing work still applies, regardless of work conditions

- More frequent check-in's between staff members and management

- Communicate expectations up front to staff members

- Before starting fieldwork communicate your expectations for findings and focus areas

- Prior to starting fieldwork have a check-in call with stakeholders to develop preliminary expectations and communicate those to staff members

- Perform preliminary review of work to be performed and level set for the staff

- Upfront training should increase

Remote supervision & development

To assist in development and preparedness of staff auditors, frequency and scope of trainings should increase

- Trainings should be relevant to the work they are going to perform

- Ensure staff are adequately trained prior to conducting fieldwork

- Train staff on how to audit in a remote environment

- Utilize videoconferencing platforms to keep the training visual

- Ultimately, it is all about preparedness

Polling Question

What are the 3 corners of the fraud triangle?

1. Opportunity, Incentive, and Rationalization

2. Fraud, Money Laundering, Misappropriation

3. Opportunity, Fear, and Greed

4. The fraud what?

Fraud High Alert

The remote environment and COVID-19 recession creates the perfect fraud storm.

Mid-March to late May, over 40 million initial jobless claims in the US, according to the US Department of Labor Statistics

Fraud Triangle

Fraud Triangle

Incentive

- Economic downturn and institution viability

- Employee job safety

Opportunity

- Internal control changes and breakdowns

- Increased degree of transaction processing related to PPP loans and CARES act modifications

Rationalization

- Only helping the institution weather the storm

- I'll pay back when things return to normal

- The institution is profiting from the disaster, it is the only fair thing to do

Fraud

Conducting fraud interviews remotely

- These types of interviews are most effective in person.

- However, an alternative method would be through videoconference. This allows the auditor to observe body language.

- Teleconferencing is a less desirable method, but still better then others, as you can hear changes in tone and hesitancy to answer direct questions.

Pros and Cons

Advantages of remote auditing

• Reduction in travel time and costs

• Expanded use of specialists

• Improved planning

• Improved documentation

• Better leveraging of technology

Pros and Cons

Limitations and challenges of remote auditing

- Procedural observations – seeing is believing

- Building rapport with auditees

- Increased potential for fraud (accuracy, completeness, relevance, and reliability)

- Reliability and security of technology

Questions?

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THANK YOU