



INTERNAL AUDIT FOUNDATION REPORT

THE REMOTE AUDITOR

Challenges, Opportunities, and New Ways of Working



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INTRODUCTION

In March 2020, office workers around the world grabbed laptops, files, and a few personal items and headed for home. Most people expected to return to normal operations within a few months. Organizations scrambled to ensure that employees had sufficient equipment to work from home, check that IT protocols were in place, and strategize on how to respond to a now largely virtual business landscape.

Within internal audit functions, audit plans were altered, site visits were put on hold, and ways of working were reimagined. Approaching the third year of the pandemic, the definition of “normal operations” has been redefined. Organizations have permanently altered many of their processes and procedures, upgraded or adopted new technology, and pivoted to respond to a changed marketplace. Remote work has gone beyond a temporary solution to the profound disruption that is the COVID-19 pandemic.

For internal auditors, the shift to a hybrid or remote setting has required both flexibility and creativity in finding alternatives to the traditional face-to-face engagement. Audit teams have identified new ways to access information and test new assurance methods, and explored meaningful ways to engage with team members and build relationships with stakeholders.

The question “when do we return to normal?” has largely been replaced with “how do we capitalize on the lessons learned over the past months to further empower and support the hybrid workforce moving forward?”

This paper presents poll and survey results that help assess the impact of remote work on the profession as a means to tackle this critical question. It also shares best practices for maintaining and strengthening audit-stakeholder relationships and examines how the adoption of technology solutions is critical for addressing the remaining remote audit challenges. Finally, it offers options for sustaining a positive workplace culture in a virtual setting and identifies strategies to meet the new reality.

Some of the key takeaways include:

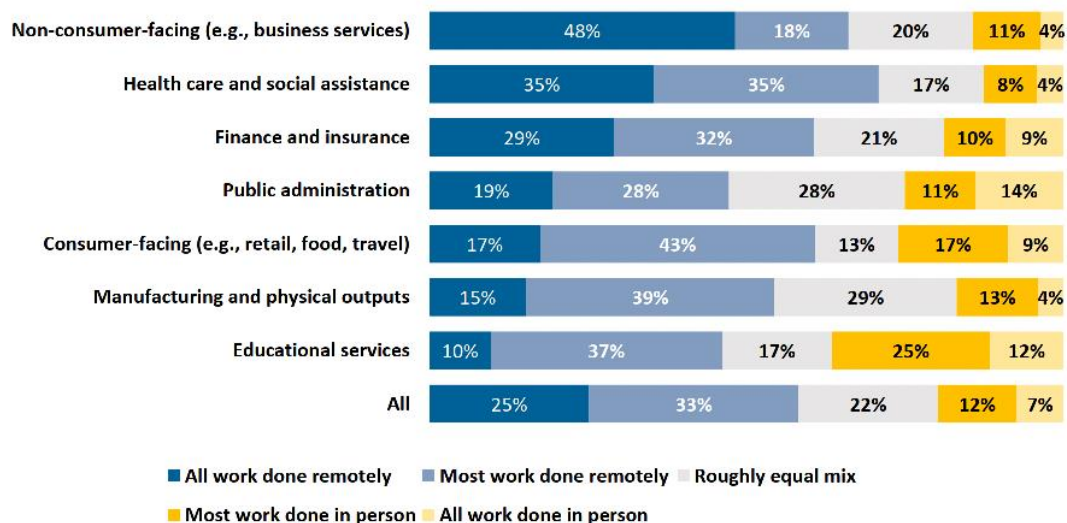
- Building key relationships with audit stakeholders remains a challenge for internal audit functions. Leaders must make an effort to schedule informal and formal meetings and encourage collaborations between auditors and audit stakeholders at all levels of the organization.
- Investment in technology to support the virtual work environment will continue. Audit functions are using technology to better access and share information, work with stakeholders, conduct virtual engagements, and test new assurance methods.
- Audit leaders need to continue to find creative ways to develop employees and promote a positive culture in a remote environment. Audit functions have found success using online gatherings, games, virtual clubs, and other ways to connect coworkers.
- Changing processes require extra vigilance, and auditors need to cultivate a more intentional and adaptive mindset. Iterative audit planning can help make sure all auditors are aligned.

Hybrid Is Here to Stay

Looking at audit functions specifically, 58% of chief audit executives (CAEs) say their teams are doing all or most of their work remotely, according to data captured by The IIA's annual North American Pulse of Internal Audit survey in October and November 2021. On the other end of the spectrum, 18% of the more than 500 respondents report that all or most of their work is being done in person, while another 22% say their teams have a roughly equal mix of remote and in-person time. The extent to which internal auditors are in person or remote varies by industry; auditors in educational services, public administration, and manufacturing are more likely to have face time at the office, while auditors whose organizations focus on business services, health care and social assistance, and finance and insurance are more likely to be working from home (see Exhibit 1).

As the pandemic continues to evolve, those numbers are expected to change. While some internal audit functions will see a return to a 100% in-person model, for many others, the hybrid work experiment of 2020 and 2021 has been normalized. Home offices have been set up, employees have proven their ability to be productive away from the office, and both employees and employers have seen the value of shorter commute times, a smaller office footprint, and a wider potential talent pool. Moreover, the decision to audit remotely may be out of the hands of CAEs. Even if audit leaders want to return to an all on-site model, many audit clients may still be remote.

Exhibit 1: Internal Audit Remote Work Compared to Industry Types



Note: North American Pulse of Internal Audit survey conducted October 5, 2021, to November 9, 2021. Q18: In terms of working remotely vs. in-person, how is your internal audit function currently operating? CAEs and directors only. *n* = 505.

To underscore the degree to which the landscape has irrevocably changed, in a recent McKinsey & Co. survey of 100 executives across industries and geographies, nine out of ten reported that they expect to combine remote and on-site working in the post-pandemic future.¹

1. Alexander, Andrea, Cracknell, Rich, De Smet, Aaron, Langstaff, Meredith, Mysore Mihir, and Ravid, Dan, What Executives are Saying About the Future of Hybrid Work, May 2021, McKinsey & Co, <https://www.mckinsey.com/business>

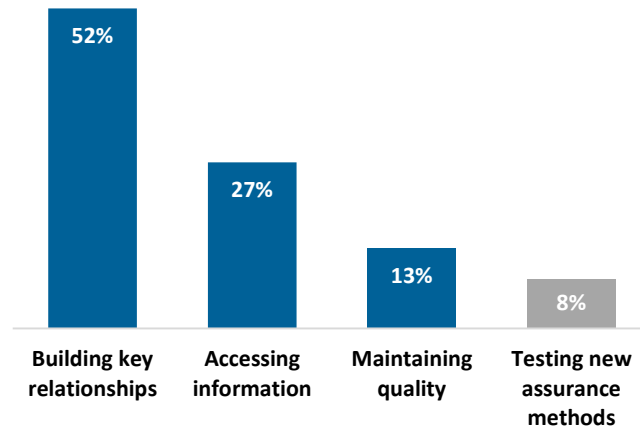
Audit Stakeholder Relationships

Remote and hybrid work may be here to stay, but there are challenges to doing the work of internal audit remotely. In an informal IIA and AuditBoard poll on LinkedIn conducted in September 2021, 52% of the more than 1,800 respondents say that building key relationships is the biggest challenge to auditing remotely, while 27% see accessing information as a major impediment. Other concerns captured by the survey are maintaining quality (13%) and testing new assurance methods (8%) (see Exhibit 2). Certainly there are additional challenges depending in part on industry, maturity, and culture.

In a separate survey conducted by AuditBoard in September, audit leaders reported that their biggest concern with remote operations was not their own audit team but other employees — with 40% saying that relationships with non-audit personnel in the organization had weakened.² Harold Silverman, The IIA’s director of executive membership, who works remotely in Columbus, Ohio, says maintaining stakeholder relationships was a topic of much discussion at a roundtable hosted by the Audit Executive Center in November. “People are having to make a much more conscious decision to do reach-outs, to schedule time, or even to text someone a simple ‘hey, do you have a couple of minutes?’”

The inability to pass someone in the hall and start a casual conversation is “challenging,” says Doug Block, vice president of internal audit at Granite Construction in Houston, Texas. “Auditors have to schedule meetings with stakeholders for everything, and it can be a challenge to keep up with relationships if you don’t have a structured process in place,” says Block.

Exhibit 2: Biggest Challenge for Auditing Remotely



Note: LinkedIn Poll through The Institute of Internal Auditors. Question: Which of these is the biggest challenge for auditing remotely? September 16, 2021. $n = 1,890$.

functions/people-and-organizational-performance/our-insights/what-executives-are-saying-about-the-future-of-hybrid-work.

To counteract the relationship atrophy, Silverman says he’s talked to audit leaders who are scheduling no-agenda “coffee talks” with non-audit peers to keep the conversation flowing.

Elizabeth McDowell, assistant vice president of internal audit at Elevations Credit Union based in Boulder, Colorado, regularly schedules “collaboration meetings” with stakeholders — some monthly and others quarterly. McDowell started these collaborations well before the pandemic, and continuing this technique has helped her team maintain good communication while fully remote. “We continued that successful cadence — just over Zoom, instead of in person,” McDowell explains.

Maintaining relationships with audit stakeholders not only impacts their willingness to cooperate on future engagements, it may also affect the quality of the audit overall, points out Jim Pelletier, a vice president at The IIA in Lake Mary, Florida. Without regular contact, auditors risk “missing out on a lot of valuable chatter that can help you to understand what’s really going on in the area you’re auditing,” says Pelletier. “So I think purposefully finding time for that is important.”

Silverman adds that the job of relationship building should not rest solely on the CAE. As with McDowell’s example, the internal audit team should be making connections with audit stakeholders at all levels. “The important relationships don’t just happen at the top of the function; it’s not just from the chief information officer (CIO) to the CAE,” says Silverman. “It’s also the audit managers to the IT manager and the accounting managers and the marketing managers. It should really be happening all the way through, because that’s oftentimes how you find out about issues in a successful internal audit function.”

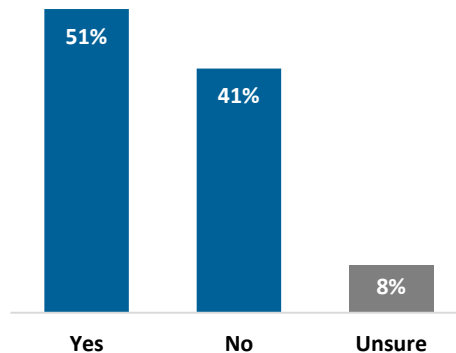
Technology Solutions for Remote Audit Challenges

Not being able to conduct in-person audits has spurred investment in technology, according to a second IIA and AuditBoard poll conducted in September via LinkedIn. More than half of the 598 respondents affirm that since the start of the pandemic, their organizations have acquired cloud-based technology to help with remote collaboration and risk management (see Exhibit 3).

In addition to cloud-based technology like audit management platforms, business intelligence applications, and data analytics tools, audit teams have made use of video conferencing applications for audit work and walkthroughs, existing security camera networks to replace activities requiring physical observation, and even drones for certain kinds of site inspections. Organizations are also focusing on upskilling employees and improving data literacy.

Silverman says he is clearly seeing evidence of audit leaders prioritizing technology solutions,

Exhibit 3: Acquired Cloud Technology for Collaboration, Risk Since COVID-19



Note: LinkedIn Poll through The Institute of Internal Auditors. Question: Has your organization acquired cloud-based technology since the start of COVID-19 to enable remote collaboration and risk management? September 13, 2021. n = 598.

especially now that staff budgets are beginning to recover from the initial shocks of the pandemic. Part of the impetus for the investment is witnessing how technology eased the transition to remote work for other audit functions, he says.

“Audit functions that had done a couple of things before the pandemic started — including establishing very strong relationships, making good investments in technology, and applying the technology as part of their working methodologies — really had a big advantage when the pandemic hit,” says Silverman. “What we have seen is that a lot of [less mature] internal audit functions that learned the lessons from their peers are starting to make some of the same investments, especially with the expectation that remote work will continue.”

The audit team at Elevations Credit Union invested in audit management software prior to the pandemic. McDowell says the technology not only enabled her audit function to communicate with colleagues and stakeholders, it helped them to better collaborate on audit work papers and protocols.

The team also found ways to become more efficient. Beginning in 2021, McDowell took over responsibility for retail branch audits, with the goal of auditing each branch monthly. After realizing that a big part of the audit process was reviewing paperwork and checklists onsite, one of the auditors on McDowell’s team saw an opportunity for improvement by creating an online checklist using a collaboration platform and a business intelligence application. The online checklist allows the credit union’s internal audit function to perform audits remotely and also provides data analytics capabilities.

Pelletier points out that audit functions can also make use of simple, nontraditional tools for collaboration. Examples include shared note-taking apps, online whiteboards, and shared documents to allow auditors and stakeholders to brainstorm and collaborate on information and ideas. “Why not take the opportunity to engage using a shared whiteboard where you’re brainstorming with people, and it’s not just ‘talking at’ each other?” he suggests. Tools like these can help meetings become more interactive and “make the conversations and your client relationships more interesting,” says Pelletier.

Maintaining a Positive Culture

While audit stakeholder relationships are a top concern for remote and hybrid internal audit functions, audit leaders must also think about the relationships between the people on their own teams. The issues are multifaceted: though job turnover is high, companies are welcoming many new employees. However, the traditional ways of getting to know people — lunches, happy hours, and regular in-person meetings — are curtailed or impractical, especially if new employees are geographically remote.

Richard Lee, senior director and head of internal audit at Snapchat, based in Los Angeles, says when it comes to the work alone, his organization had a smooth transition to a remote model. “By default, I think the nature of the work was always relatively easy to do remotely. We weren’t used to it, but it translated easily,” says Lee. From his perspective, the two biggest challenges to remote auditing are maintaining the organizational culture and developing employees. “How do we ensure that people are still developing in the same manner that they would have if we were all in the office?” asks Lee.

Organizations are experimenting with different solutions to support culture such as hosting Zoom happy hours or trivia nights, extending early release days, shortening the work week once a month, or giving extra holiday time off. Other organizations have staff participate in socially distanced games and also have delivered food to employees at their homes during the pandemic.

Still other corporate teams are exploring opportunities for smaller group get-togethers based on shared interests, such as an online book club or a gaming group. The idea is to mimic the smaller, more intimate connections people make in an office, as opposed to mass online gatherings where only one person can speak at a time.

Pelletier suggests that audit leaders use online survey tools to find out what activities staff members might be interested in, but also to get an idea of how people are feeling and better understand cultural obstacles. “I think the big gaps that you can have when you’re not face-to-face are that you miss that ability to get a sense of what the culture is like within a department, what is really happening, and how people are feeling.”

Although a remote or hybrid operational model introduces unique challenges, it can also be a valuable benefit for employees and a means to recruit non-local talent. “The pandemic is making people realize where their priorities are,” says Abramson. “We as leaders need to listen to that and respond accordingly.”

Cultivating an Adaptive and Intentional Mindset

Good analytical and critical thinking, along with communication skills, consistently rank high among qualities that internal audit leaders and leaders overall deem important. These were the top skills named by audit leaders in the September AuditBoard survey, with more than 60% of the respondents identifying analytical/critical thinking skills as “critical audit skills” and more than half naming communication skills.³

Both of these skills are likely needed to successfully transition from in-person to hybrid or remote auditing. This may involve rethinking internal audit processes and procedures and being more intentional in all aspects of internal audit.

During the pandemic, the internal audit team at Granite Construction realized that a portion of their site visits could be done remotely, saving the company and its auditors time and money. After reevaluating their processes and focusing on the highest risks, travel time for the auditors went from 50% to 25%.

Some organizations are ensuring that they are maintaining compliance in a remote environment by meeting with business owners to check what type of processes need to change. These collaborations are an opportunity to find innovative solutions for clients and business partners.

Changing processes may require extra vigilance in other areas, says Pelletier. “Obviously we’re not doing things the way we’ve always done them. We need to make sure that we’re thoughtful of the things that we’re missing out on in doing them in a different way,” points out Pelletier. For instance, for audits that previously involved site visits, this might include understanding and documenting any limitations introduced by a remote version of the audit — if any. “Don’t just skip over something because you’re remote,” he says. “Make sure you understand it and document it so that stakeholders and other auditors know any sort of limitation you have.”

For virtual observations, planning is key to avoiding blind spots. At some manufacturing organizations, auditors hold planning sessions with locations, performing detailed walkthroughs of spaces where inventory is kept. Audit teams identify and address possible issues prior to the physical count, such as ensuring they can see the entire space, that connectivity is reliable throughout the space, and that auditors understand how to read an inventory label via camera to minimize confusion during the actual count observation.

In another example of process changes affected by the pandemic, some organizations have had to move from manual sign-offs to verification via electronic or other means. According to Pelletier, the key here is to make sure that alternative procedures address the same risk as the original controls, and any modifications to Sarbanes-Oxley controls are discussed in advance with external auditors.

Pelletier also points out that there are more gaps in communication when auditors are remote. Auditors working together need to be deliberate about checking in with each other to make sure they are “aligned and moving in the right direction,” he explains. An intentional mindset can alleviate this challenge, as iterative audit planning allows teams to frequently circle back to make sure everyone has a clear understanding of objectives and risks.

Silverman says he believes that successful internal auditors in the future will embrace the innovations created during the pandemic and blend them with tried and true methodologies previously established. “I have been proud and impressed by the flexibility and agility demonstrated by internal audit functions to respond to these sudden changes caused by the pandemic,” he says. “I believe that successful internal audit functions going forward will continue this accelerated evolution and adapt to the future of work.”

CONCLUSION

New Strategies to Meet New Priorities

The pandemic has created hardships and challenges for nearly all organizations. At the same time, it has also revealed new ways of working, particularly with innovative uses of technology. As the data indicates, the transition from largely in-person operations to a hybrid and remote model will not end with the pandemic, and leaders must adjust their strategies when it comes to audit stakeholder relationships, technology solutions, developing employees and promoting a positive culture, and cultivating an intentional mindset.

The global disruption revealed strengths and weaknesses across a broad spectrum of economic, geopolitical, and social issues. For the internal audit profession, it shined a spotlight on its remarkable ability to pivot in times of crisis. The innovative responses from practitioners around the globe to new challenges created by remote work offer positive proof of the profession's agility and adaptability.

The response also may provide sufficient impetus for the profession to embrace technology. There already is ample evidence of this occurring, from the growing use of drones and software solutions in lieu of on-site audit work to leveraging technology to improve internal audit processes.

The fallout from the pandemic will continue to evolve and influence thinking on a myriad of issues, including work/life balance, stakeholder expectations, social justice, and sustainability. In order to thrive in a post-COVID world, internal auditors must embrace change and adopt an intentional and adaptable mindset.

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The Internal Audit Foundation strives to be an essential global resource for advancing the internal audit profession. The Foundation's research and educational products provide insight on emerging topics to internal audit practitioners and their stakeholders and promote and advance the value of the internal audit profession globally. Through the Academic Fund, the Foundation supports the future of the profession by providing grants to students and educators who participate in The IIA's Internal Auditing Education Partnership Program. For more information, visit www.theiia.org/Foundation.

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