Internal Audit Staffing
August 2021

There is a perception that the COVID-19 pandemic has irrevocably changed the way we work. Certainly, it is clear that during the pandemic many organisations have asked their employees and contractors to work outside the office or to limit the extent to which they attend the office. Whether we return to traditional working arrangements after the pandemic is yet to be seen.

The increase in remote working experienced during the pandemic has affected Cyber Security arrangements in organisations (The Institute of Internal Auditors - Australia, 2021) but has also demonstrated that it is possible to work from anywhere. This immediately raises the questions of how internal audit activities obtain on-demand resources and whether those resources need be within Australia.

The Institute of Internal Auditors – Australia surveyed Chief Audit Executives (CAEs) to explore these issues. 55 responses were received across a wide section of the economy (Exhibit 1). The responses were dominated by in-house or co-sourced internal audit functions. Few results were received on behalf of outsourced internal audit functions. (Exhibit 2)
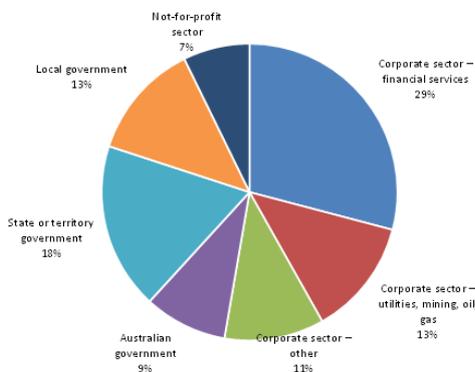

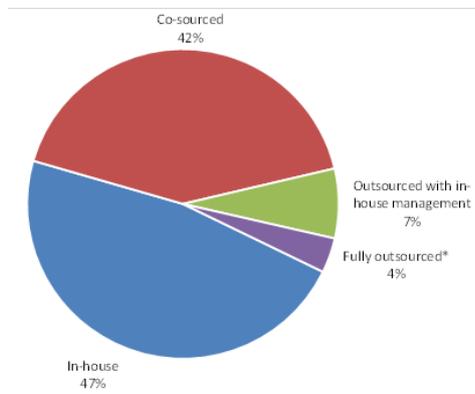*Exhibit 1 - Organisation type of respondents*

Exhibit 2 - Resourcing model of respondents

While this is a clear gap in the respondent population, we can reasonably assume that organisations with fully outsourced functions will use their outsource provider for on-demand resources. It is reasonable to assume that the attitude to remote (as against office-based) working will be reflective of the rest of the population.

Remote or Office-based Working

At present (in a period of widespread lock-down and stay-at-home orders) it is not surprising that most organisations use remote working to some extent. When the current emergency eases, the bulk of respondents foresee that their organisations will be using a mixed model - combining some days working in the office and some days working from home.
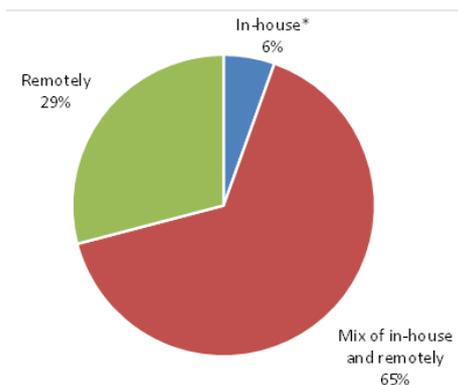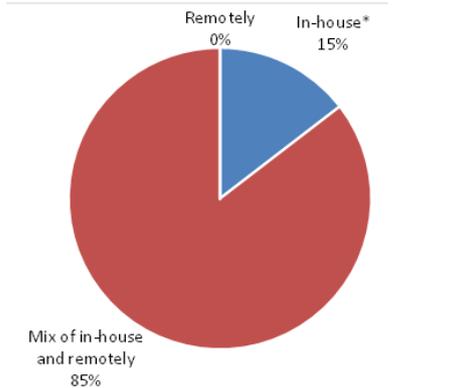

Exhibit 3 – Present mix – in-house or remote

Exhibit 4 - Projected mix – in-house or remote

Providing surge-capacity

CAEs often find that they need additional resources to meet a surge in activity or to provide specialist skills not available within their usual team. This is especially common when the resources needed are ICT specialists. The source of these additional resources is set out in Exhibit 5 and Exhibit 6.
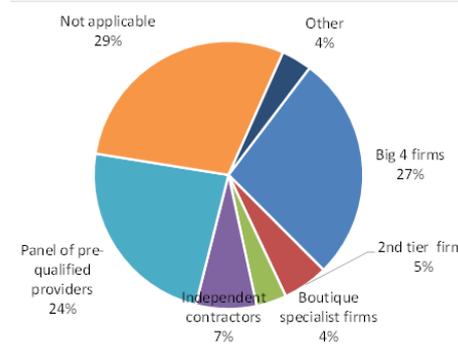

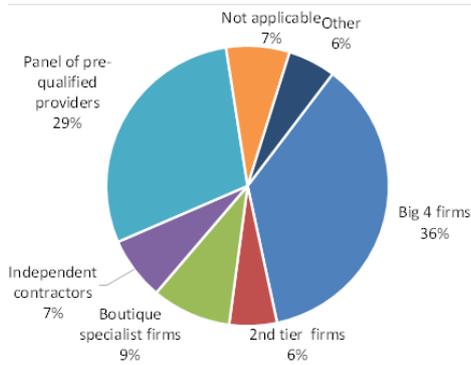*Exhibit 5 – Source of supplementary generalist internal audit resources*

Exhibit 6 – Source of supplementary specialist internal audit resources

Those who answered 'other' in these questions indicated that they choose the source based on the nature of their requirement. In these charts 'not applicable' indicates those organisations that do not contract temporary or specialist resources.

Off-shoring

Responses indicted that very few organisations (15%) permit their internal audit work to be conducted by resources located off-shore. Unsurprisingly, most government organisations (at all three levels of government) do not permit off-shoring of internal audit work. The only substantial sector where off-shoring was permitted was *Corporate – financial services* where 60% of respondents indicated that their organisation permitted it.

More than half of respondents indicated that they did not see any of the traditional benefits of off-shoring applying to their organisation. However, a substantial minority saw some benefits even if their organisation did not allow the practice. (Exhibit 7).

When asked about issues that would concern them in using resources located off-shore there was strong support for a number of traditional concerns (Exhibit 8), but the respondents also identified a number of front-of-mind considerations that we had not considered when designing the survey. These included: the ability of the team to build relationships with the business, familiarity with the local regulatory environment, being able to co-locate the internal audit resources with the operations, the ability to engage and collaborate with the resources, and the difficulty brought about by having staff in a different time zone. Some respondents already had multi-national operations with teams located outside Australia.
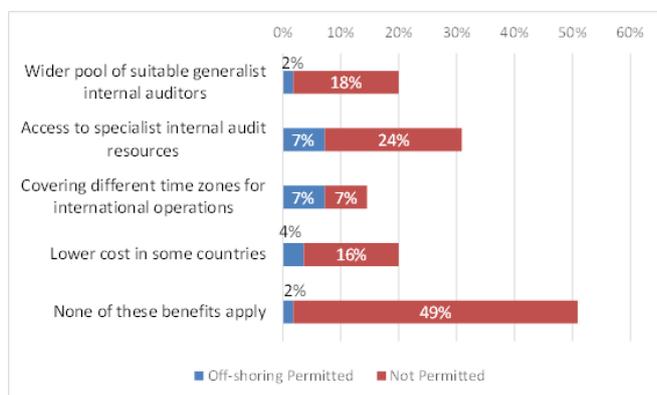

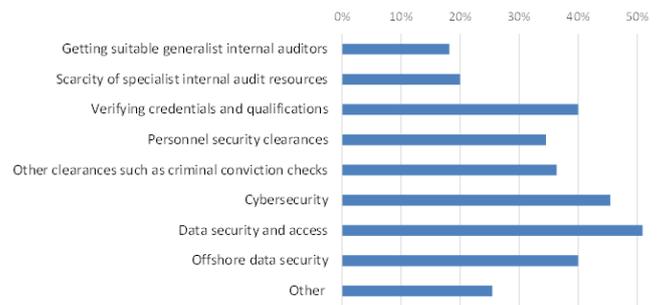Exhibit 7 - Perceived benefits of off-shoring

Exhibit 8 – Considerations in relation to off-shoring

Conclusion

The survey suggests that, while a number of internal audit activities are operating entirely remote of their organisations, this will not continue once the current health emergency has passed. Nevertheless, remote working will remain a feature of the Australian industrial landscape.

CAEs continue to use a wide range of sources to provide surge capacity and specialist skills. Is is also clear that organisations are largely not prepared to engage with audit teams located outside Australia – especially if this means that organisational data may be stored off-shore.

Useful References

Parkinson, M. J. (2021, Apr). White paper: Managing your service provider - Independence and objectivity. Retrieved from Institute of Internal Auditors - Australia: https://iia.org.au/sf_docs/default-source/technical-resources/2018-whitepapers/iia-whitepaper_managing-your-service-provider---independence-and-objectivity.pdf

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