

# Business Continuity and the Pandemic

## June 2022

The global COVID-19 pandemic has disrupted many business operations both within Australia and internationally. The October 2020 Issue of *Tone at the Top* (The Institute of Internal Auditors, Inc., 2020) suggested that the experience of the pandemic has permanently changed the perceived risk landscape for business:

*As the haze of the initial crisis response clears and organizations begin to assess the landscape of the new normal, repercussions from COVID-19 generally will fall into four categories:*

1. Those we know about that are happening now, such as heightened cybersecurity risks created by vulnerable home-worksites.
2. Those we can reasonably anticipate, such as changing workplace cultures and talent management strategies.
3. Those we don't know about that are happening now.
4. Those we cannot reasonably anticipate.

In April 2020 an article in the Internal Auditor identified the pandemic as “a public health crisis that has caused an economic crisis, which for many organizations has also caused operational or liquidity crises” and flagged it as a more serious issue than the 2008 Global Financial Crisis from the point of view of keeping operations going (Kelly, 2020).

The Institute of Internal Auditors – Australia surveyed Chief Audit Executives (CAEs) to explore business continuity, newly identified risks and internal audit responses arising from organisational experience of the COVID-19 pandemic. 44 responses were received across a wide section of the economy (Exhibit 1).

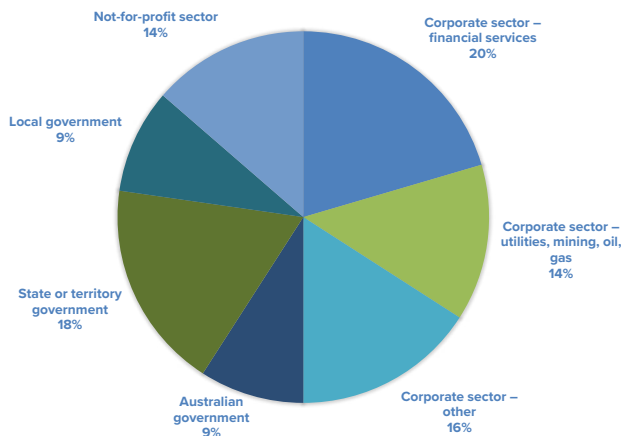


Exhibit 1 – Economic sector of respondents

### Business Continuity Readiness and Response

CAEs were asked to rate their organisation’s readiness to deal with a disruptive event before the pandemic, during the pandemic and as a result of the pandemic. The reality of the disruptive event has meant that organisations are, in general, better prepared than they were. (See Exhibit 2). While the general trend is positive, 7% of organisations reported that their readiness decreased at the advent of the pandemic; 11% have lower current readiness than they did during the pandemic.

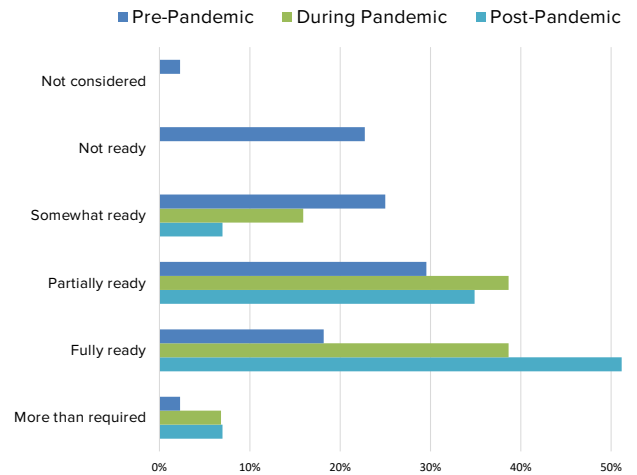


Exhibit 2 – Business Continuity Preparedness

Taking the past two years as a whole, most (91%) of the respondent CAEs reported that their organisations had improved in business continuity readiness and response (Exhibit 3). More than half rated the improvement as significant and 2% believe that their organisation has achieved best practice.

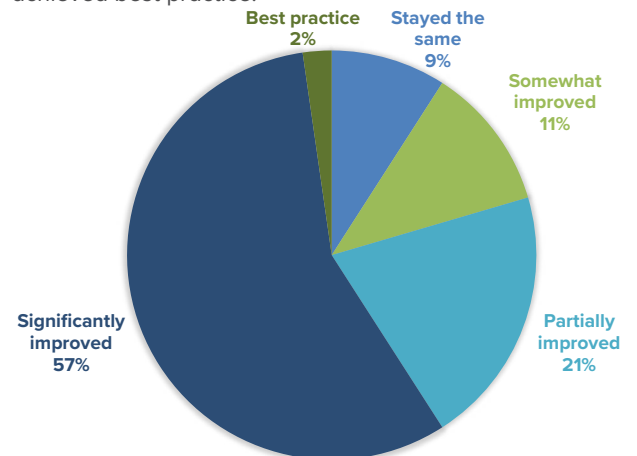


Exhibit 3 – Business Continuity Readiness and response over the Past Two Years

### Post-pandemic Risk Profile

As a result of the pandemic most organisations have identified risks that require an active response to be prepared. The relevant risk sources are listed at Exhibit 4 with the most frequently cited items at the top of the list.

|                                                                                 |
|---------------------------------------------------------------------------------|
| Work-from-home versus back to the office                                        |
| Recruiting skilled workers                                                      |
| Continuing supply chain disruption                                              |
| Workforce morale and cohesion                                                   |
| Close contact workforce loss                                                    |
| Cost of living pressure and wage increase demands                               |
| Significant number of employee resignations                                     |
| Employees choosing to relocate from cities to regional areas                    |
| Cyber-security assurance                                                        |
| Absenteeism                                                                     |
| Business Continuity plans have atrophied during pandemic and require working up |
| Employee fatigue                                                                |
| Insurance Claims                                                                |
| Mental Health                                                                   |
| Worker Injury                                                                   |

Exhibit 4 – Newly Identified Risk Sources

## Internal Audit response to the Pandemic

CAEs were asked about their internal audit response to the pandemic. Two thirds of respondents indicated that they adapted their program to the new circumstances. (Exhibit 5).

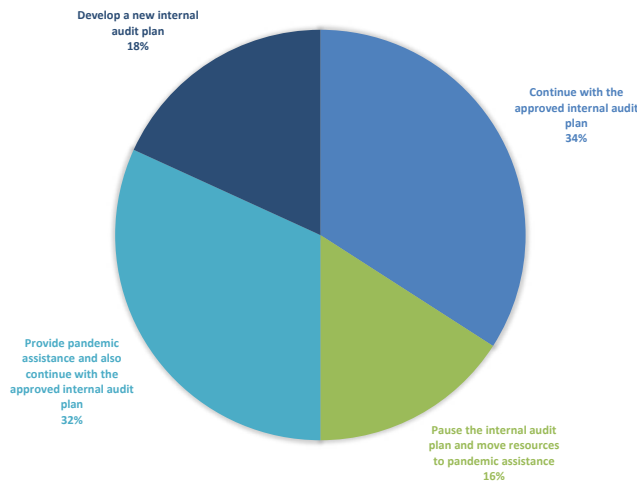


Exhibit 5 – Internal audit response to the pandemic

Respondents were asked to nominate specific engagements undertaken as a response to the pandemic. The results are indicated in Exhibit 6.

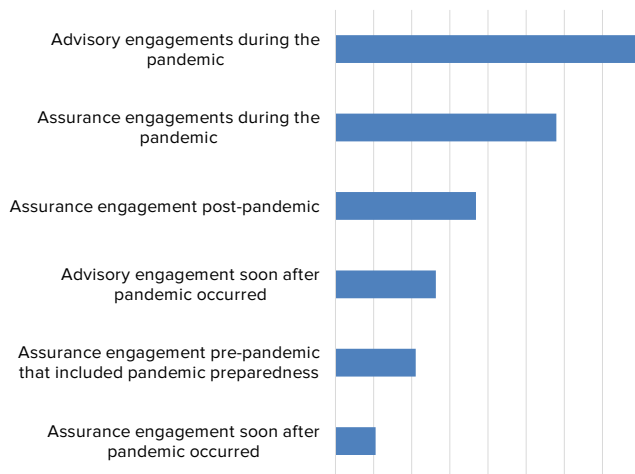


Exhibit 6 – Engagements in response to the pandemic

## Summary

Most respondent organisations found that their existing business continuity plans were of assistance during the onset of the pandemic and organisations improved their responses over the period of the pandemic. Most internal audit functions modified their internal audit programs to include engagements directed to the pandemic response.

## Useful References

International Internal Auditing Standards Board, 2016. *International Standards for the Professional Practice of Internal Auditing*, Lake Mary, FL, USA: Internal Audit Foundation.

Kelly, M., 2020. *COVID-19: The Ultimate Governance Challenge*. [Online]

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Available at: [https://iia.org.au/sf\\_docs/default-source/technical-resources/20-critical-questions/20-questions-directors-should-ask-about-business-continuity.pdf](https://iia.org.au/sf_docs/default-source/technical-resources/20-critical-questions/20-questions-directors-should-ask-about-business-continuity.pdf)

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