



SPECIAL REPORT FOR IIA-CANADA

# COVID-19 IMPACT ON INTERNAL AUDIT – FOCUS ON CANADA

Survey results from CAEs about risk assessment, audit plans, staffing, budget, and returning to the workplace



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The Institute of Internal Auditors  
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**Dear Reader,**

On March 11, 2020, The World Health Organization declared COVID-19 a pandemic. Since then, Canada's internal audit leaders have had to answer some tough questions in response to these disruptive times: What are the impacts on business models? What are the new priorities facing my organization, and how can IA help? How must the internal audit plan be changed to accommodate current and forecasted needs of my business and my organization's operating practices? What are the new risks facing the company, and how can they be mitigated? What practices, and approaches can, and cannot, be implemented while working remotely?

With these questions in mind, the **COVID-19 Impact on Internal Audit – Focus on Canada: Survey results from CAEs about risk assessment, audit plans, staffing, budget, and returning to the workplace** report provides the results of two surveys; one conducted in April and one in May. Opinions were solicited from Canadian Chief Audit Executives (CAEs) and internal audit directors by The Institute of Internal Auditor's (IIA) Audit Executive Center (AEC). The AEC is The IIA's essential resource to empower CAEs to be more successful. The report is endorsed by The IIA Canada (IIAC).

The research findings provide an insightful analysis on how COVID-19 is affecting internal audit, and on how CAEs and internal audit directors have been adapting to the dynamic risk environment caused by the pandemic. The report also takes a look at where internal audit activity has increased, what non-audit activities have been added to IA, and how organizations are preparing for the "new normal" and for returning to the workplace.

The IIA Canada stands committed to serving its members by meeting their needs wherever they are, and by advocating on behalf of Canada's internal audit profession. The research and findings contained in **COVID-19 Impact on Internal Audit – Focus on Canada** provides valuable information and analysis to assist internal auditors navigate through these disruptive times.

Sincerely,

Richard Arthurs,  
CIA, QIAL, CRMA, CPA, CMA, CFE, MBA  
Chair, Board of Directors  
The IIA Canada



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# SUMMARY

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## Internal audit responding to COVID-19

**Internal audit functions are responding** with flexibility and agility to the challenges they face from the COVID-19 global pandemic.<sup>1</sup>

This report provides survey results from Canadian Chief Audit Executives (CAEs) and internal audit directors in Canada about how COVID-19 is affecting internal audit and how their organizations prepare to return to the workplace (as applicable).

The report is based on responses to surveys that were distributed electronically by The IIA in North America from April 9–13 and May 6–8, 2020. Approximately 400 responses were received from North America as a whole, with Canada providing 34 responses for the April survey and 40 for the May survey.

This report will focus exclusively on the responses from Canada. Minimal interpretation is provided, recognizing that the readers will be able to interpret the results most applicable to them. Key topics are:

- Opinion on long-term financial viability of the organization.
- Internal audit budget impacts.
- Internal audit staffing impacts.
- Risk assessment activities.
- Audit planning.
- Changes to audit focus.
- Readiness for returning to physical workplaces.

Results are predominately based on the April survey, except for questions related to workplace return, which were answered in the May survey.

## Resources

To see survey results from all of North America, download the original reports from the Audit Executive Center:

[COVID-19 Impact on Internal Audit and Survey on Workplace Readiness.](#)

For more internal audit resources related to COVID-19, visit The IIA's [COVID-19 Resource Exchange and Newswire.](#)

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1. The World Health Organization declared COVID-19 a pandemic on March 11, 2020. <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>.

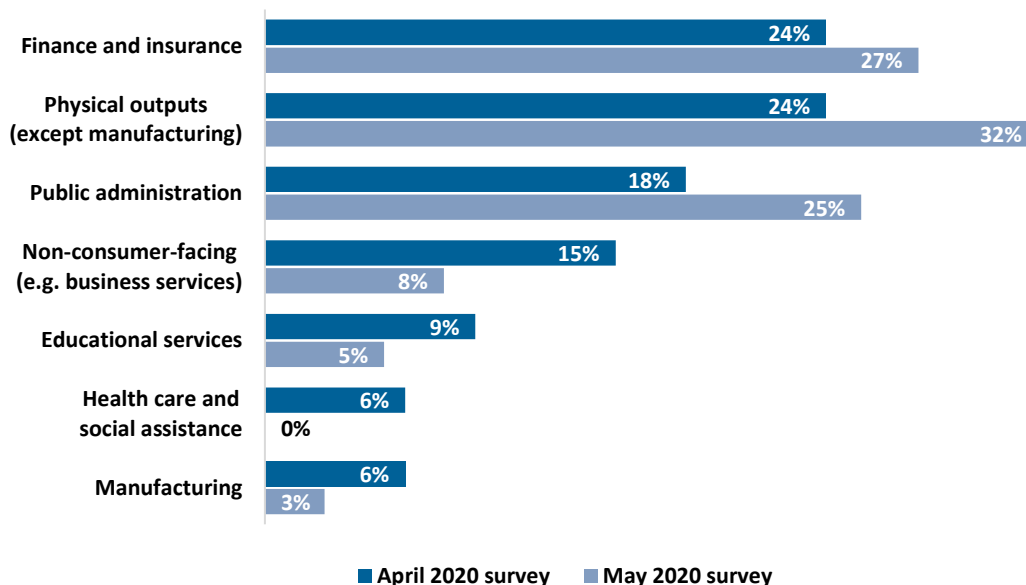
## Industry differences

Analysis of results for North America overall showed that COVID-19 affects industries in different ways, in part depending on the business activities and deliverables. The industry groups used in that analysis are provided below (with descriptions as needed), followed by the response rates from Canada (Exhibit 1).

### Industry groups

- **Finance and insurance**
- **Physical outputs (except manufacturing)** – Utilities; mining, quarrying, oil/gas extraction; transportation and warehousing; construction; agriculture, forestry, fishing and hunting
- **Public administration**
- **Non-consumer-facing (e.g. business services)** – Other services (except public administration); professional, scientific, and technical services; real estate, rental and leasing; information; wholesale trade; management of companies and enterprises; administrative, support, waste management, remediation services
- **Educational services**
- **Health care and social assistance**
- **Manufacturing**
- **Consumer-facing (e.g. retail, food, travel)** – Arts, entertainment, and recreation; retail trade; accommodation and food services

**Exhibit 1: Industry Groups Represented by Canadian Respondents**



*Note:* What is the primary industry classification of the organization for which you work (or your primary client if you are a service provider)? Survey responses collected April 9-13, 2020, and May 6-8, 2020, from CAEs and directors in Canada associated with The IIA. No responses were received for consumer-facing (e.g., retail, food, travel)  $n = 34$  for April 2020 survey.  $n = 40$  for the May 2020 survey.

# LEVEL OF FINANCIAL CONCERN

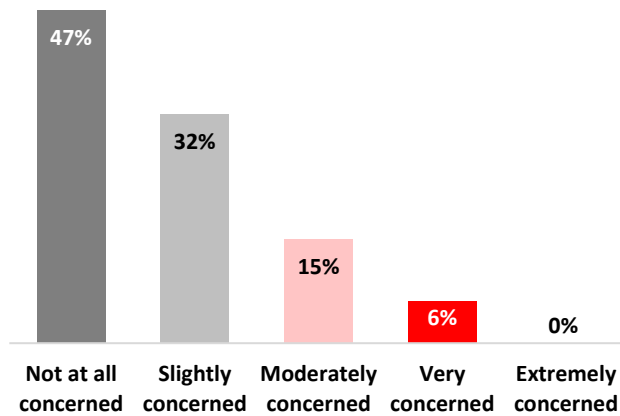
## Long-term financial viability

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### Most respondents had lower levels of financial concern

**Almost 80% of respondents were** “slightly concerned” or “not at all concerned” with the long-term financial viability of their organizations. Very few reported being “very concerned” (Exhibit 2). It is worth noting that 65% of respondents were either from the public sector (44%) or publicly traded organizations (21%), which may have more financial stability than other organization types (see also Exhibit 12).

**Exhibit 2: Long-term Financial Viability  
Concern for Organization**



*Note:* Q6: What is your level of concern about the long-term financial viability of your organization as a result of COVID-19? Survey responses collected April 9-13, 2020, from CAEs and directors in Canada associated with The IIA. *n* = 34.

# INTERNAL AUDIT BUDGET

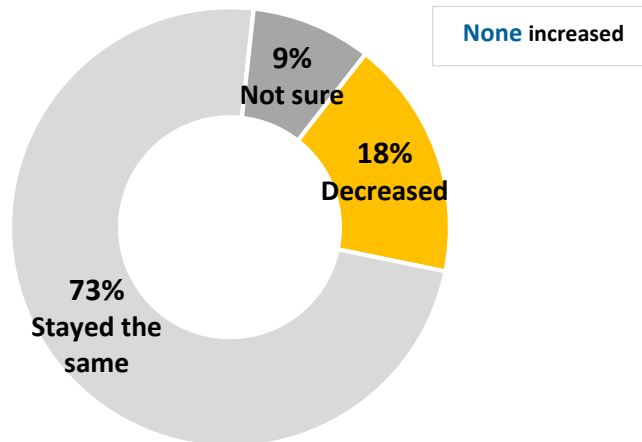
Many keeping budget the same thus far

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## Budget decreases reported by about 20%

**About 3 out of 4 respondents** said their budgets have stayed about the same. However, almost 20% had a decrease (Exhibit 3).

**Exhibit 3: Internal Audit Functions with Budget Changes Due to COVID-19**



*Note:* Q4: How has your internal audit budget changed in the short-term as a result of COVID-19? Survey responses collected April 9-13, 2020, from CAEs and directors in Canada associated with The IIA.  $n = 34$ .

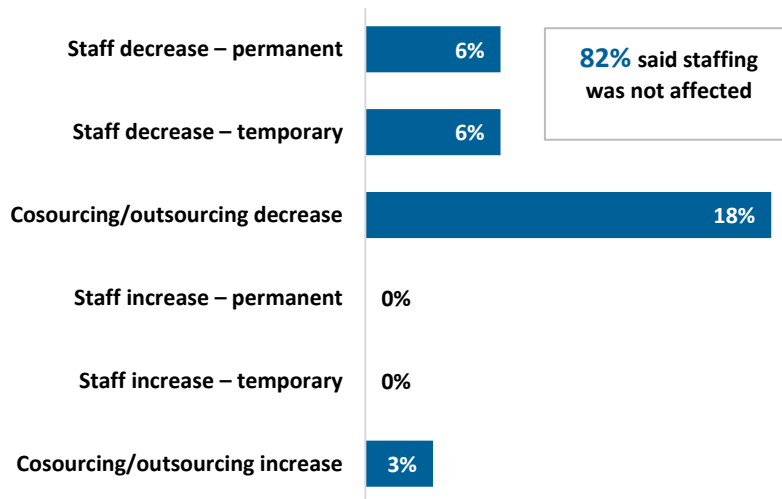
# INTERNAL AUDIT STAFFING

## Staff generally being retained

### Staffing decreases are minimal

**More than 80% of respondents** reported no changes in staffing. There is an even split reported of permanent and temporary decrease in staff (6%). Cosourcing/outsourcing saw the highest level of impact, with 18% saying they had decreases (Exhibit 4).

**Exhibit 4: COVID-19 Effect on Internal Audit Staffing (Choose All That Apply)**



*Note:* Q4: How has your internal audit staffing changed in the short-term as a result of COVID-19? (Choose all that apply.) Because respondents could choose select more than one answer (for example staff decrease and cosourcing decrease), total will not equal 100%. Survey responses collected April 9-13, 2020, from CAEs and directors in Canada associated with The IIA. *n* = 34.

Please note that percentages in Exhibit 4 will not equal 100% because respondents could choose more than one of the response options. For example a respondent could choose “staff decrease” and “cosourcing/outsourcing decrease” at the same time.



# RISK ASSESSMENT ACTIVITIES

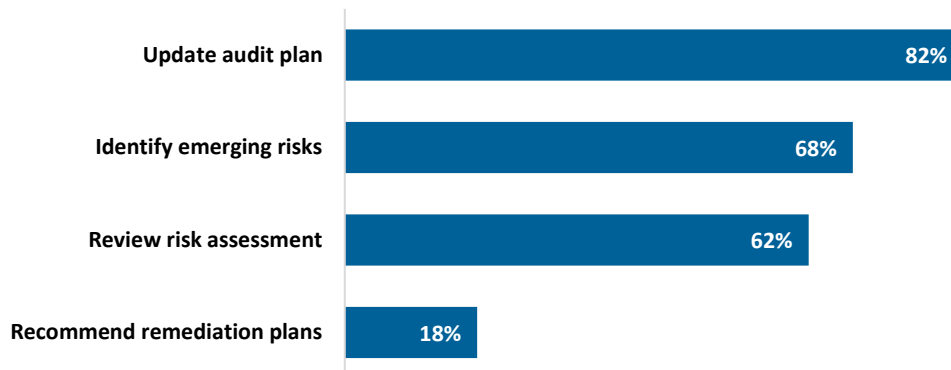
Internal audit is broadly involved in assessing risk

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## Top priorities are audit plan updates and identifying emerging risks

**Internal audit leaders have been adapting** to the dynamic risk environment caused by COVID-19. More than 80% had updated their audit plans. Two-thirds had identified emerging risks, and 6 in 10 had updated their risk assessment (Exhibit 5).

**Exhibit 5: Internal Audit Addressing Risks Related to COVID-19**



*Note:* Q1: How is your internal audit function addressing risk as a result of COVID-19? Choose all that apply. Survey responses collected April 9-13, 2020, from CAEs and directors in Canada associated with The IIA. *n* = 34.

## Other risk response activities

The following additional comments were provided about internal audit response to COVID-19:

- Internal audit is part of the emergency response team.
- Internal audit is assisting operations to assess new risks, help identify mitigation strategies, and research. We are temporarily lending staff to areas with significant reductions.

# AUDIT PLANNING ACTIVITIES

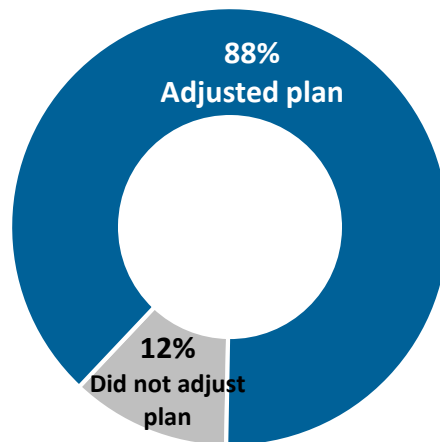
Almost all functions reported changes to audit plans

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## Changes were made quickly

**Audit plans were quickly being updated** in response to COVID-19. Almost 9 in 10 said they changed their audit plans in some way (Exhibit 6).

**Exhibit 6: Audit Plan Adjusted Due to COVID-19**

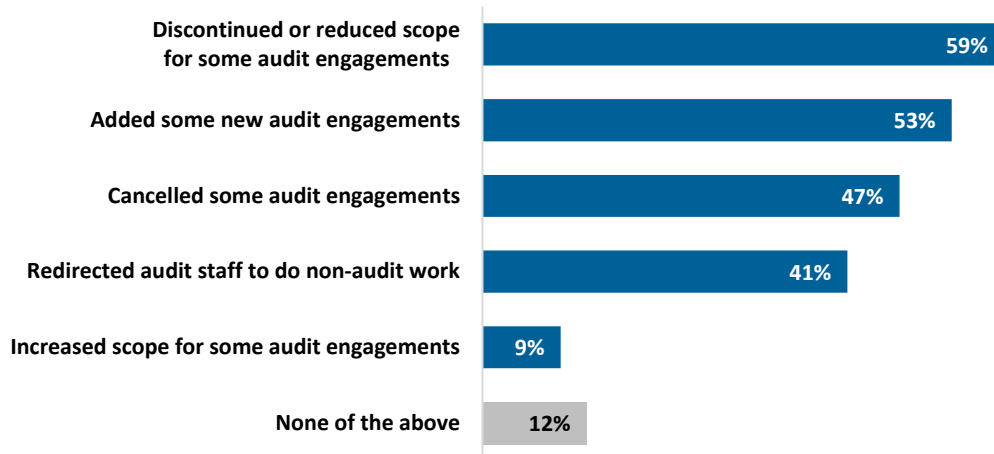


*Note:* How has your audit plan changed as a result of COVID-19? Choose that apply. Survey responses collected April 9-13, 2020, from CAEs and directors in Canada associated with The IIA.  $n = 34$ .

## Specific changes to audit plans and staff activities

About 6 in 10 discontinued or reduced scope for some audit engagements and nearly half cancelled some audit engagements. Internal audit agility is noted in the fact that more than half of respondents had added new engagements due to COVID-19. In addition, 4 in 10 redirected staff to put aside their normal audit work to assist their organizations by doing non-audit work (Exhibit 7). (Note: When internal auditors perform non-audit work, CAEs should be mindful of any potential threats to internal audit independence in the organization.)

**Exhibit 7: How Audit Plans Have Been Adjusted Due to COVID-19**



*Note:* Q2: How has your audit plan changed as a result of COVID-19? Choose that apply. Survey responses collected April 9-13, 2020, from CAEs and directors in Canada associated with The IIA.  $n = 34$ .

## Examples of non-audit work performed

Many CAEs and internal audit directors from Canada described the non-audit activities that their functions were performing as a result of COVID-19. Comments are organized by industry group.

### Finance and insurance

- We are updating our Internal Audit Operations Manual and spending more time training.
- We are supporting the COVID team, and we are providing day-to-day operational support for the financial and investment team.
- We provide support for ICFR [internal controls over financial reporting] related to the Canadian equivalent of SOX [Sarbanes-Oxley].
- We are performing some operational duties to support critical business processes.

### Physical outputs (except manufacturing)

- Internal audit is on the response team.
- We are supporting our national emergency management team and providing consulting services for some other groups.
- Internal audit is helping to develop guidance, process, and policy specific to COVID-19.

### **Public administration**

- We are doing research, helping operations assess new risks for new emergency programs, and lending staff.
- Internal audit is providing data analytics to support operations.

### **Non-consumer-facing (e.g. business services)**

- Internal audit is involved in facilitation, helping other areas to perform assessments.
- We are sharing auditors' capacity to support to operations.
- Internal audit is providing support for SOX work.

### **Health care and social assistance**

- We have identified audit staff availability for redeployment where needed and skills match.
- We are providing support to frontline workers and the Provincial Operations Centre.

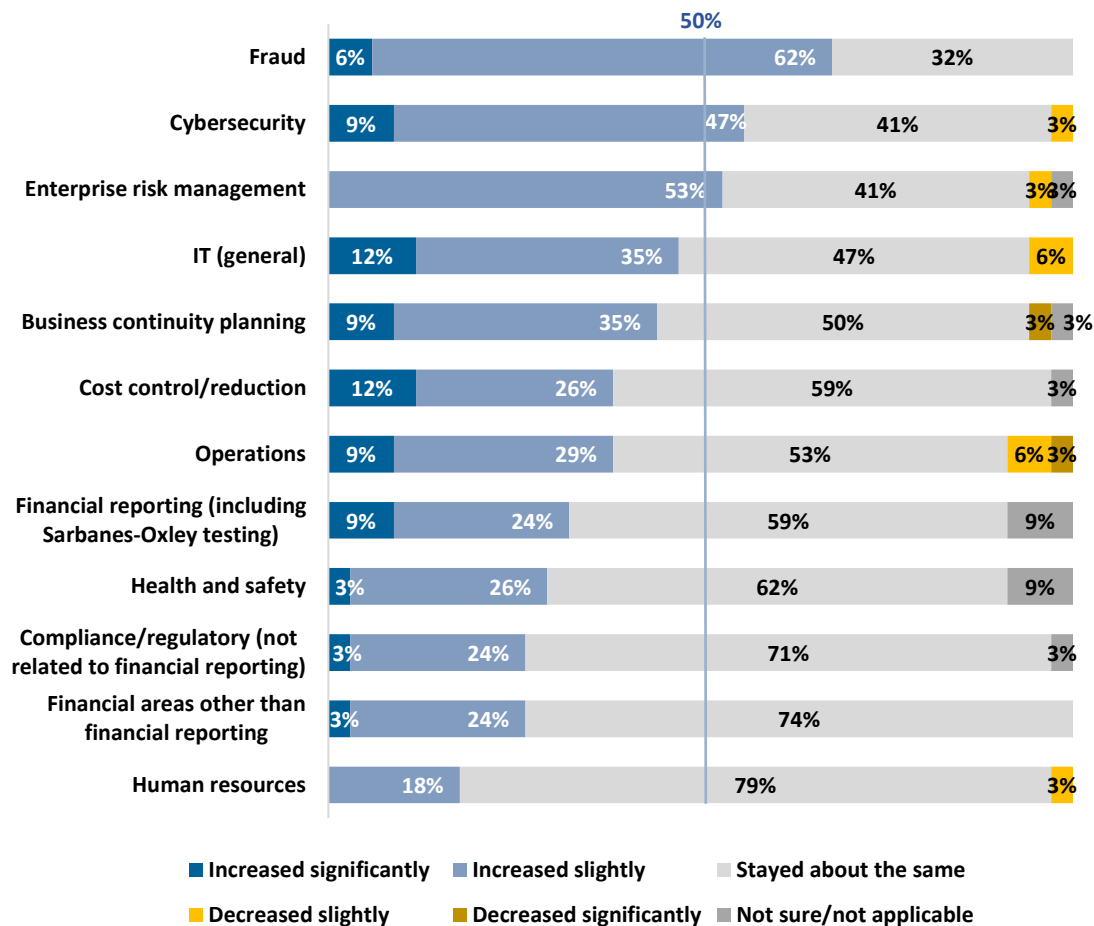
# CHANGES TO AUDIT FOCUS

Effort follows risk

## Internal audit increased activity in a broad range of areas

**In times of crisis, certain risks become more prevalent.** In response to COVID-19, most internal audit functions increased effort in the risk areas of fraud and cybersecurity. Meanwhile, effort in other areas remained relatively the same, i.e., compliance, financials, and human resources.

**Exhibit 8: Changes in Internal Audit Effort for Selected Risk Areas**



Note: Q5: How has your audit effort in the following areas changed as a result of COVID-19? Survey responses collected April 9-13, 2020, from CAEs and directors in Canada associated with The IIA. n = 34.

# READINESS TO RETURN TO WORKPLACES

## Protecting workers and the organization

### Workplace readiness factors assessed in the survey

**Key factors to consider for returning to the workplace** were compiled using the U.S. Occupational Safety and Health Administration’s (OSHA) [Guidance on Preparing Workplaces for COVID-19](#) and the U.S. Center for Disease Control’s (CDC) [Interim Guidance for Businesses and Employers](#). Exhibit 9 lists the factors used in the survey distributed May 6–8, 2020, with red asterisks indicating factors directly related to transmitting COVID-19 between people. Survey respondents assessed their organizations’ preparedness across these 19 factors.

### Exhibit 9: Factors for Returning to the Workplace in the COVID-19 Environment

<p><b>Health and safety procedures</b></p> <ul style="list-style-type: none"><li>■ Implementing personal hygiene policies (hand washing, etc.)*</li><li>■ Implementing distancing policies to prevent infection (six feet of separation, etc.)*</li><li>■ Cleaning and disinfecting the workplace*</li><li>■ Preventing infection among those who clean and disinfect*</li></ul> <p><b>Health resources</b></p> <ul style="list-style-type: none"><li>■ Personal protection equipment*</li><li>■ Testing to identify currently infected employees*</li><li>■ Testing to identify prior infected employees*</li><li>■ Vendors for cleaning services*</li><li>■ Supplies for cleaning and disinfecting*</li></ul>	<p><b>Human resource issues</b></p> <ul style="list-style-type: none"><li>■ Health and safety policies for employees</li><li>■ Identifying and protecting at-risk employees</li><li>■ Informing employees of possible exposure at the workplace (contact tracing)*</li><li>■ Protecting confidentiality of infected employees</li></ul> <p><b>Operational impacts</b></p> <ul style="list-style-type: none"><li>■ Physical modifications to workplace for social distancing*</li><li>■ Reduced productivity due to COVID-19 environment</li><li>■ Increased costs related to adapting workplaces for COVID-19</li></ul> <p><b>Regulatory compliance and legal issues</b></p> <ul style="list-style-type: none"><li>■ Regulatory compliance related to COVID-19</li><li>■ Legal liability for employee illness or death</li><li>■ Legal liability for breach of confidentiality related to COVID-19</li></ul>
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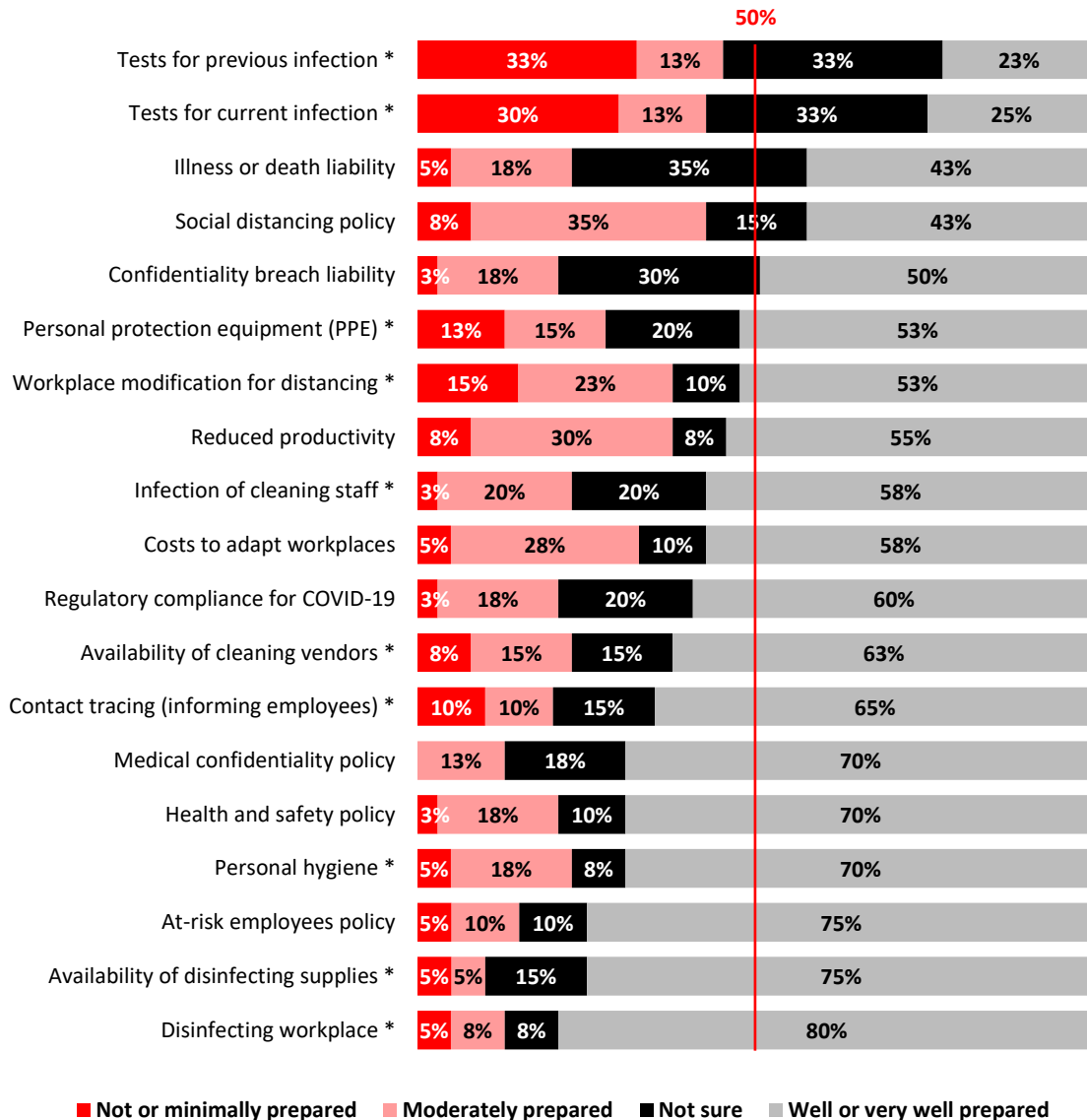
*Note:* The survey question was, “How prepared is your organization to address [topic] for returning to work in the COVID-19 environment?” Response options were “not prepared,” “minimally prepared,” “moderately prepared,” “well prepared,” “very well prepared,” and “not sure.” In the exhibits for this report, the descriptions of the factors were shortened to fit in the available space. Survey responses were collected May 6-8, 2020, from CAEs and directors in North America associated with The IIA.

\* Factor directly related to transmitting COVID-19

## Concerns about testing, social distancing policies, and liability

Only about 25% indicated their organizations were “well prepared” or “very well prepared” for COVID-19 testing. For at least half of respondents, liabilities related to death, illness, or breach of confidentiality were also a concern or an area of uncertainty. Finally, social distancing appeared to be a particularly high area of concern, with more than 4 in 10 saying they were moderately prepared or not prepared. (Exhibit 10).

**Exhibit 10: Readiness for Returning to the Workplace**



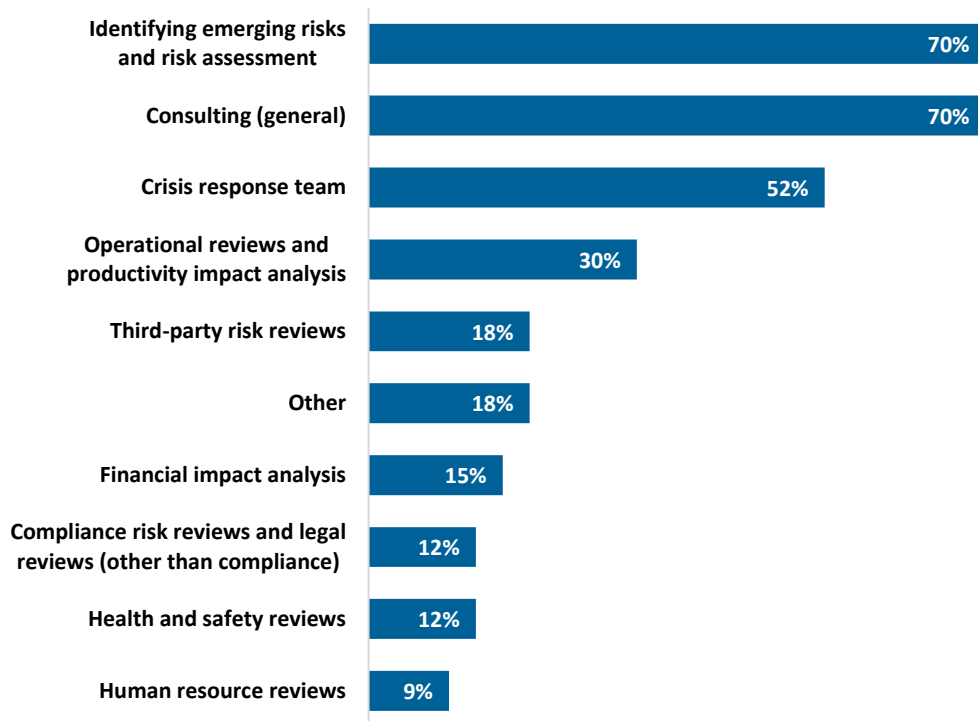
*Note:* How prepared is your organization to address factors for returning to work in the COVID-19 environment? Survey responses were collected May 6-8, 2020, from CAEs and directors in North America associated with The IIA. Canada only. *n* = 40.

\* An asterisk indicates a factor directly related to transmitting COVID-19.

## Internal audit involvement in workplace readiness

Internal auditors have been involved in preparations for returning to the workplace. About 70% of survey respondents said their functions worked to identify emerging risks or updated risk assessments as part of the effort. About 5 in 10 had roles on the crisis response team. On the other hand, very few performed reviews related to third-party risks (18%) or health and safety issues (12%) (Exhibit 11).

**Exhibit 11: Internal Audit Involvement in Readiness for Returning to the Workplace**



*Note:* Q6: In which areas has internal audit been involved in preparing for returning to work in the COVID-19 environment? Those who chose not sure or not applicable were not included in the results. Canada only.  $n = 33$ .



# DEMOGRAPHICS

## Characteristics of Canadian survey respondents

### Exhibit 12: Internal Audit Position

Position	April 2020 Survey	May 2020 Survey
CAE	76%	85%
Director	24%	15%
Total percentage	100%	100%
Number of respondents	34	40

Note: Survey responses collected April 9-13, 2020, and May 6-8, 2020, from CAEs and directors in Canada associated with The IIA.

### Exhibit 13: Internal Audit Function Size

Number of FTEs	April 2020	May 2020
1 to 5	41%	37%
6 to 10	29%	20%
11 to 25	18%	35%
26+	12%	8%
Total percentage	100%	100%
Number of respondents	34	40

Note: Survey responses collected April 9-13, 2020, and May 6-8, 2020, from CAEs and directors in Canada associated with The IIA. FTE = full-time equivalent employee.

## Exhibit 14: Organization Type

Type	April 2020 Survey	May 2020 Survey
Public sector	44%	52%
Privately held	23%	28%
Publicly traded	21%	15%
Nonprofit	12%	5%
Total percentage	100%	100%
Number of respondents	34	40

Note: Survey responses collected April 9-13, 2020, and May 6-8, 2020, from CAEs and directors in Canada associated with The IIA.

## Exhibit 15: Province

Type	April 2020 Survey	May 2020 Survey
Ontario	41%	50%
Alberta	22%	17%
Quebec	16%	8%
Saskatchewan	9%	8%
British Columbia	6%	11%
Newfoundland and Labrador	3%	0%
Manitoba	0%	3%
Nova Scotia	3%	3%
Total percentage	100%	100%
Number of respondents	32	36

Note: Province information obtained from the survey metadata. Survey responses collected April 9-13, 2020, and May 6-8, 2020, from CAEs and directors in Canada associated with The IIA.

*This report was developed as a collaboration between The Audit Executive Center, CPA Canada, and The IIA Canada.*

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The Institute of Internal Auditors Canada (IIA Canada) is affiliated with a global body, serving the needs of more than 7,400 members in Canada. With its headquarters in Ottawa, IIA Canada works in partnership with its 12 chapters across the country, providing training, publications, and services for its members, and advocating for the profession to key government and regulatory bodies and related organizations.

#### ABOUT THE IIA

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters is in Lake Mary, Fla. For more information, visit [www.theia.org](http://www.theia.org).

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