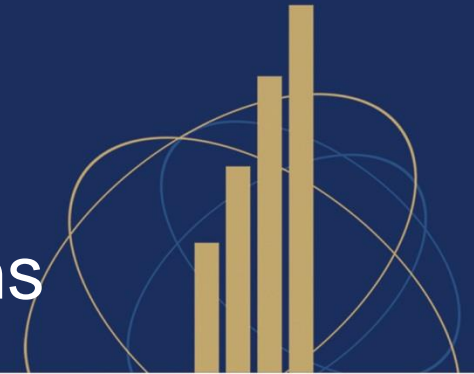




Audit and Risk Indaba 2022

Auditing after COVID-19 pros and cons



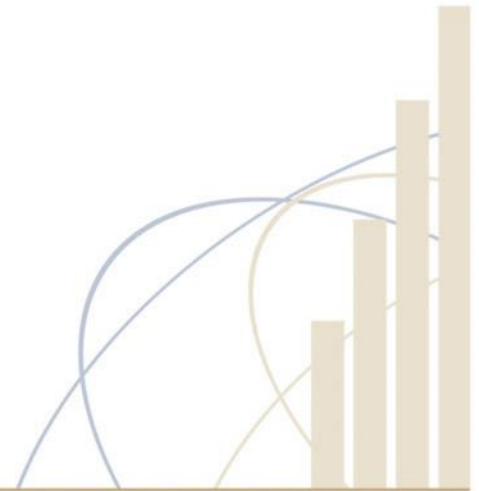
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OVERVIEW ON COVID 19 IMPACT IN ORGANISATIONS

- ❖ On 26 March 2020, our lives changed when the President of South Africa, Mr. Cyril Ramaphosa announced locked down due to confirmation of the Corona virus pandemic, known as COVID 19.
- ❖ CoVID-19 has not been wiped out, it still exists and scientists have predicted the possibility of other variants
- ❖ CoVID-19 Regulations developed and implemented.
- ❖ Deteriorating Service Delivery
- ❖ Revenue and Debt collection decreased drastically
- ❖ Excessive procurement of PPEs
- ❖ Shut down of businesses
- ❖ Loss of jobs

USE OF MASK IS
MANDATORY



KEEP SOCIAL
DISTANCING

CLEAN YOUR
HANDS OFTEN



For more information: www.sdc.gov/covid19



Disaster Recovery/ Business Continuity

Tools and procedures for responding to unplanned events, such as natural disasters, power outages, or cybersecurity incidents, with minimal disruption to key operations



Legislative Mandates

- Public Audit Amendment Act
- Municipal Finance Management Act
- Public Finance Management Act
- Auditing Standards and Guides
- CoVID-19 Regulations



The *Pro et Contra* (Advantages and disadvantages) of working during and After COVID - 19

Disadvantages of working during COVID 19

- ❖ Possible Risk of data Manipulation
- ❖ Organizations added expenses
- ❖ Material irregularities
- ❖ Cost vs Benefits (Value Add and Value for Money)
- ❖ Lack of proper accountability

Advantages of After working after COVID 19

- ❖ Exposure to the digital world
- ❖ Saving of logistical running cost



Disadvantages of working during COVID -19

Possible Risk of Audit Manipulation

Accounting /Auditing Manipulation happens when Management of an organisation intentionally misstate or manipulate financial information to favourably represent the organizations financial performance or avoid audit quires

Organizations added expenses

Due to abnormal business working environment municipalities/entities incurred additional unplanned cost including :-

- Purchasing of digital gadgets and laptops
- Purchasing of new Computers systems and software
- Training of staff and Councillors on the use of systems



Disadvantages of working during COVID -19

Material irregularities

in the ordinary working environment Segregation of duties is a basic organizational key internal control function, it is normally used to ensure that errors or irregularities are prevented and detected timeously .

During the Covid 19 working situation it became more difficult to observe the major functions of segregation of duties being Authorization , Custody , record keeping and reconciliation, In an ideal system, different employees would perform each of these above major functions. In other words, no one person should have control of two or more of these responsibilities.

Due to difficulties in the implementation of Segregation duties , Non-Compliance with laws and Regulations and lack of Internal Controls entities experienced an increase in Unauthorised , Irregular , Fruitless and Wasteful Expenditure (UIFW), municipalities /entities failed to take reasonable steps to prevent UIFW , section 62(1)(d) of the MFMA and section 38(c)(iii) of the PMFA



Disadvantages of working during COVID -19

Lack of Accountability and Proper Implementation of Consequence Management

An unfortunate consequence of living through an extraordinary event like the COVID-19 pandemic is that there is no precedence. Nothing of this nature has happened in our lifetime so there are no existing mechanisms or tools that can be utilised to adequately address the problems that may arise. It is uncharted territory for everyone.

As a result COVID -19 became an easy scapegoat for many employees in instances of poor performance and non achievement of targets, and Management not having proper mechanisms/plans in place to mitigate such poor performance instances , This resulted in organisations being unable to implement consequence management on those employees. In many organisations, in particular the public sector this was a result of lack of policies relating to consequence management or policies not being updated. Another issue which resulted in the lack proper implementation of consequence management was the issue of policies not being workshopped to employees i.e. the code of ethics, on how employees should conduct themselves. Most organisations focus most of their efforts on hard controls with minimal/ no efforts on soft controls i.e. regular training of employees on ethics and the organisations code of conduct. These soft controls are crucial in ensuring that employees are able exhibit high level of ethics in conducting their duties irrespective of where they are working, whether from home or normal place of work.

“In the Public sector there is a lack of proper Accountability and implementation of preventative controls and drive consistent consequence management. ”

Advantages of working after COVID 19

Introduction to the digital world

- ❖ Covid-19 has forced/encouraged the workforce to adapt to a new way of working while socially distanced (communication channels have changed, working remotely),
- ❖ The use of technology has made engagement with stakeholders easier through the use of video conferencing and sharing platforms like MS Teams, Google Meet, Zoom etc.
- ❖ Training and capacity building of employees regarding the use of technological tools



Advantages of working after COVID 19

Cost saving measures

- ❖ The ability to work from home has been financially beneficial to certain employees (reduced transport costs, fuel costs, vehicle maintenance etc.) and also to Employers. Organizations have reduced their utility bills (water and electricity), telephone bills etc.
- ❖ Balance between work life and personal life, which increases employee productivity.
- ❖ Opportunity for some organizations to utilize their unused office spaces for incoming generating opportunities
- ❖ Fewer physical meetings has resulted in reduced conferencing costs and travel costs for organizations



Summary of other Pros and Cons

Advantages (Pros)	Disadvantaged (Cons)
1. High productivity	1. Inadequate supervision
2. Cost saving and efficiency	2. No physical verification
3. Improved performance with data analysis	3. Load shedding
4. Working papers & evidence can be linked with audit report	4. Lack of in-person interaction opens other opportunities for fraud
5. use of technology and advancing in 4IR Implementation	5. Risks of relying heavily on technology, loss of control of sensitive information, Possible security breaches or threats



Other Issues that are facing Organizations after COVID-19

- ❖ Challenges in the form of supervision and monitoring of staff when working remotely
- ❖ Certain tasks or job functions require human/social interaction
- ❖ The potential health risks involved with close interaction due to the fact that COVID-19 is still present
- ❖ Working remotely can cause a lack of boundaries between work life and home life which can influence the quality of the work being produced
- ❖ Financial implications of equipping staff with tools of trade for individual use.





AUDITING ISSUES AFTER COVID -19

- ❖ With all the above and more, the Auditors or assurance role players need to change/ be enhanced e.g. Auditing Employee cost, how do auditors verify the 8 hours worked (as per Contract of Employment) if Employee are working from home ?
- ❖ Auditors need to ensure they have proper reviewing/auditing mechanisms to be able to match the change e.g. testing and verifying meetings that took place using video conferencing
- ❖ Auditors or assurance role players have to consider Cybersecurity Audit, a Cybersecurity Audit involves a comprehensive analysis and review of the IT infrastructure of the organisation, it detects vulnerabilities and threats , displaying weak links , and high-risk practices.
- ❖ During the COVID-19 Lockdown people and the communities that the municipalities/entities service got more exposed to social networks and technology, resulting in entities being more under scrutiny one wrong move the organisation will be 'trending' , so the work of the assurance role players becomes more important and more questioned because the world will be asking "where were you when this happened"
- ❖ Internal Auditors to look into introducing Agile Audit ,Agile auditing is used by internal audit teams to develop an audit plan that's able to respond to change, whether that's because new risks emerge or business priorities change. main difference between agile and traditional auditing is that inflexible, early stage planning is replaced by iterative planning and a series of sprints, incorporating short bursts of activity covering planning and testing

Closing Remarks ..

As Auditors it is more important now for us to go back to our basics / Auditing 101 and observe the two most important fundamentals of being an auditor, that every conclusion must be based on Audit Evidence (AS 1105) and we ensure that we practice our Professional skepticism more...

“IN GOD WE TRUST THE REST WE AUDIT”



Thank You!



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