

# PUBLIC INTERNAL AUDIT DURING COVID-19 PANDEMIC

**VIOLETA GIANINA DRAGOTĂ, NICOLETA BUZILĂ**

„TIBISCUS” UNIVERSITY TIMIȘOARA, FACULTY OF ECONOMIC SCIENCES

gianina\_dragota@yahoo.com, buzila.nicoleta@yahoo.com

**Abstract:**

*The internal audit activity in the public institutions during of a pandemic cannot be stopped or suspended.*

*In the context of the pandemic, the activity of public internal audit structures is influenced by the measures taken by public authorities: social distancing, travel limitation, teleworking acquires new values, more and more people resort to rest leave in the context of the pandemic (thus avoiding possible technical unemployment), limiting meetings and access to various public institutions, etc..*

**Key words:** COVID 19 pandemic, public institutions, public internal audit

**JEL classification:** M420

## INTRODUCTION

Internal public audit, according to Law no. 672/2002 on internal public audit is defined as “functionally independent and objective activity, which provides assurance and advice to management for the proper management of public revenues and expenditures, perfecting the activities of the public entity. Helps the public entity to meet the objectives through a systematic and methodical approach, which evaluates and improves the efficiency and effectiveness of the management system based on risk management, control and management processes”<sup>1</sup>.

The mission of the internal public audit structure is to audit the control systems within the public entity in order to evaluate the effectiveness and performance of the functional structures in the implementation of policies, programs and actions in order to continuously improve them.

In accordance with the provisions of the audit legislation, internal auditors in the collection and analysis of audit evidence use a number of techniques specific to the collection of audit evidence - verification, physical observation, interviewing, questioning, analysis, external confirmations, investigation, sampling, testing, techniques for interpreting audit evidence - documentary examination, observation, chronological analysis, as well as techniques for the analysis of audit evidence - diagnosis, evaluation.

„The consequences of not organizing and not properly implementing/ developing the internal control system, respectively not implementing the requirements of the above-mentioned legal standards/ requirements, create the premises of not

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<sup>1</sup> Legea nr. 672/2002 – privind auditul public intern

identifying all functions/ activities that present a significant risk in relation to the general and specific objectives of the audited entity.”<sup>2</sup>

According to the United Nations, “the COVID-19 pandemic has unbalanced the economies of states, with an unprecedented negative impact since the Great Recession. Representatives of state authorities around the world are imposing restrictive measures to combat the spread and reduce the number of infected people.”<sup>3</sup>

In the context of the risk of COVID-19 disease, The Ministry of Labor and Social Protection (MMPS) has formulated a series of recommendations in order to ensure the safety and health of workers, but also to support employers in carrying out their current activities. Thus, the recommendations of the Ministry of Labor and Social Protection (MLSP) were: the establishment of individualized work programs, with the consent or at the request of the employee in question, in accordance with the provisions of art. 118 of Law no. 53/2003-Labor Code<sup>4</sup>, republished, with subsequent amendments and completions, in compliance with the maximum legal duration of working time, temporary modification of the workplace at the employee's home, in accordance with the provisions of art. 108-110 of the Labor Code, unilaterally, in accordance with the provisions of art. 48 of the same normative act, or by agreement of the parties and carrying out the activity by teleworking under the conditions provided by Law no. 81/2018 regarding the regulation of the teleworking activity.

Even if the effects of the pandemic were felt, the activity of internal audit in public institutions could not be suspended or reduced. The internal public audit had to adapt to the new situation, and take a proactive role. Thus, the public internal audit had to focus on its core role, that of providing insurance services and especially management advice, who are now working in crisis. Internal public audit must be visible and involved.

In the context of the pandemic, the activity of the internal public audit structures was influenced by the measures taken by the public authorities: social distancing, travel restrictions, teleworking gained new values, more and more people resorted to rest leave in the context of the pandemic (thus avoiding a possible technical unemployment), limited meetings and access to various public institutions, etc.

## **RESULTS AND DISCUSSIONS**

The Central Unit for Harmonization of Public Internal Audit (UCAAPI) conducted a nationwide study to identify the effects- had a pandemic - the establishment of the state of emergency on the internal public audit activity carried out within the public institutions.

A number of 109 respondents participated in the study do by UCAAPI, and following the processing of the answers provided by them, a series of conclusions were formulated, such as<sup>5</sup>:

The majority of respondents (57.80%) specified that they performed the same number of missions, 31.19% performed fewer audit missions than those included in the

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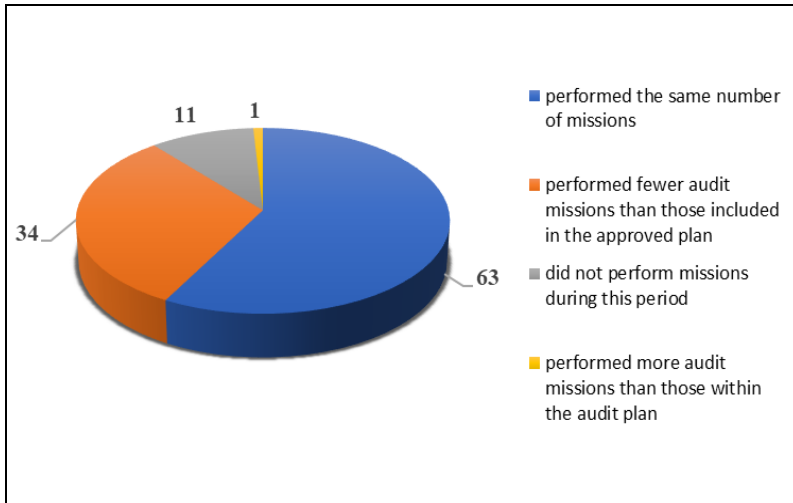
<sup>2</sup> Mladin Franca, Nagy Cristina Mihaela (2020). „Case study on the organization, implementation and maintenance of internal control, internal audit, and management systems within a public institution”, *Annals. Economic Science Series*, Vol XXV, p.102

<sup>3</sup> \*\*\* „Public Internal Audit in Romania during COVID 19 pandemic”, UCAAPI, Bucharest, 2020

<sup>4</sup> Legea nr. 53/2003 – Codul Muncii

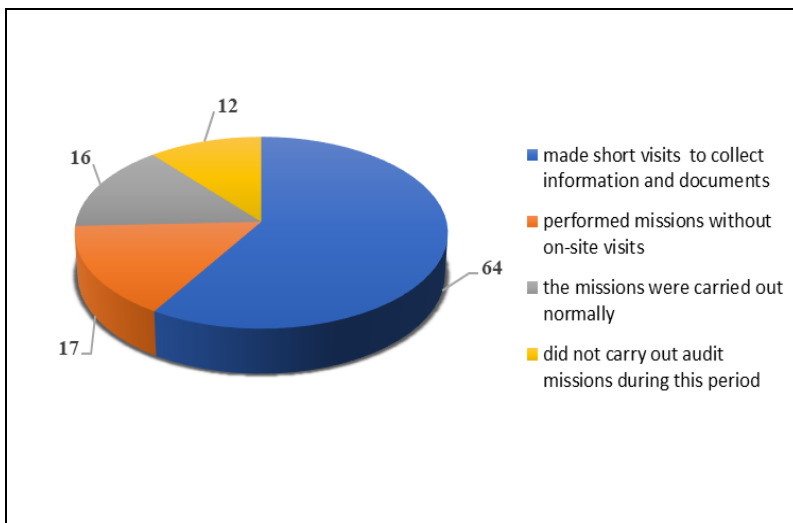
<sup>5</sup> \*\*\* „Public Internal Audit in Romania during COVID 19 pandemic”, UCAAPI, Bucharest, 2020

approved plan, 10.09% of respondents did not perform missions during this period, and 0.92% performed more audit missions than those within the audit plan.



**Figure 1.** Question “During the state of emergency, Do you perform more or less internal audit assignments compared to the approved plan?”

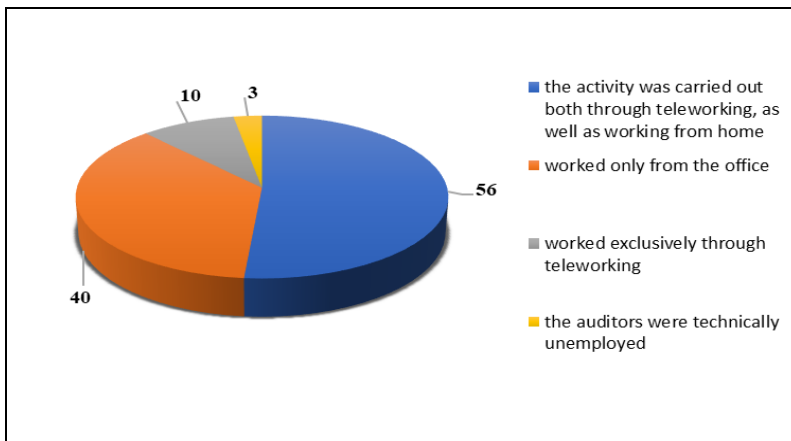
Source: „Public Internal Audit in Romania during COVID 19 pandemic”, UCAAPI, Bucharest, 2020



**Figure 2.** Question “In the context of the state of emergency, how do you perform internal audit missions”

Source: „Public Internal Audit in Romania during COVID 19 pandemic”, UCAAPI, Bucharest, 2020

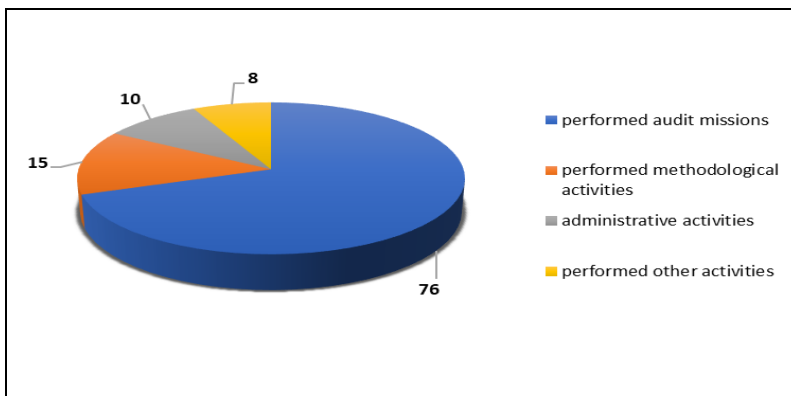
58.72% of respondents said that they made short visits, to collect information and documents, 15.60% performed missions without on-site visits, 14.68% of respondents mentioned that the missions were carried out normally and 11.01% did not carry out audit missions during this period.



**Figure 3.** Question “How do the internal auditors of your entity work during the state of emergency”

Source: „Public Internal Audit in Romania during COVID 19 pandemic”, UCAAPI, Bucharest, 2020

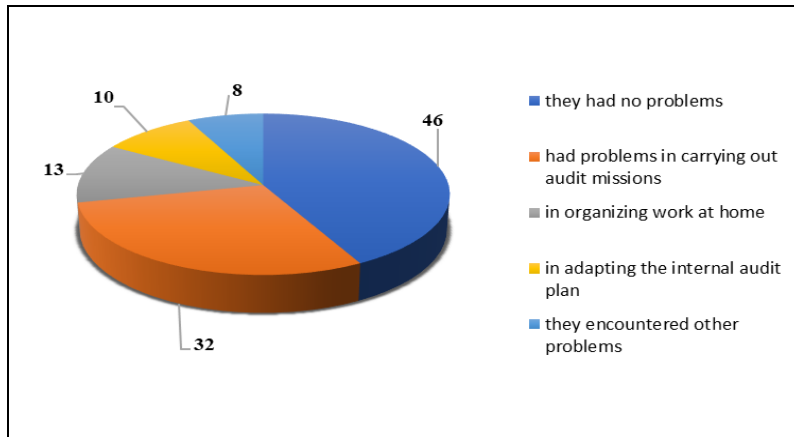
51.38% of the respondents specified that the activity was carried out both through teleworking, as well as working from home, 36.70% worked only from the office, 9.17% worked exclusively through teleworking and the remaining 2.75% of respondents specified that the auditors were technically unemployed.



**Figure 4.** Question “During the state of emergency, the activity of the internal audit structure is mainly focused on”

Source: „Public Internal Audit in Romania during COVID 19 pandemic”, UCAAPI, Bucharest, 2020

The answers were as follows: 69.72% performed audit missions, 13.76% of respondents performed methodological activities, 9.17% administrative activities and the remaining 7.35% performed other activities.



**Figure 5.** Question “What were the problems you faced during the state of emergency, in terms of public internal audit?”

Source: „Public Internal Audit in Romania during COVID 19 pandemic”, UCAAPI, Bucharest, 2020

To the question, 42.20% of respondents specified that they had no problems, 29.36% had problems in carrying out audit missions, 12.34% in organizing work at home, 8.93% in adapting the internal audit plan and 7.17% they encountered other problems.

## CONCLUSIONS

In conclusion, the pandemic forced internal auditors to act in different ways (working remotely and more technology-dependent). This can lead to opportunities to change the way internal audit works in the future, with smarter and better solutions for people as well as the environment.

The Heads of Internal Audit must ensure that they do not overlook any positive impact of pandemic changes. During the pandemic, an update of the annual public internal audit plan can be made, taking into account the significant changes regarding the exposure to risks in the context of the pandemic.

There are two arguments in support of this approach:

- First, the annual internal audit plan was issued and approved long before the COVID-19 pandemic broke out, and it is very likely that the entity's management will no longer prioritize the plan's activities in light of the pandemic situation;
- Secondly, the internal audit structure will help the public institution if it “takes a step back” and provides its structures with a “breath of air” in order to be able to continue with crisis management.

Among the benefits of remote work are:

- Reduce costs and travel time to and from the office. It is a resource consuming factor that is eliminated. In this way the auditor has more time available.
- Forced familiarization of some auditors but also of some audited with the "technological advance". Some people may not be familiar with the use of modern technology. The pandemic situation can be a stimulating factor for them to improve their skills by learning to use distance communication tools.

- Reducing consumable costs. It is a possible savings made by the employer. The predominant use of e-mail can reduce office costs.
- Attract competent staff. Teleworking contributes to a better balance between personal and professional life, which is appreciated by employees. Therefore, the application of teleworking can attract competent personnel.
- Possible increase in performance. People with a proper professional conscience will work at least 8 hours a day. Maybe not exactly in the office setting. They will do it at their own pace and at the times that suit them, but in this way they will be more productive.

Disadvantages include:

- Possible distractions (family, pets, etc.). To avoid these distractions it is good to have a space designated as an office for working from home.
- Possible decrease in performance. It is the opposite of increasing performance, mentioned as an advantage. People with a low level of professional conscience will not hesitate to take advantage of work from home to consider that day as a day of "vacation".
- Social isolation brings the feeling of exclusion. This is an effect of using teleworking for long periods of time. Application for limited periods (1-2 days a week) will eliminate this problem.
- Possible information security risks. Auditors are required to ensure the security of information that is removed from the organized framework of the office or headquarters of the audited structure. The approval of the head of the audit structure and of the audited structure regarding the communication tools used must be sought and obtained.
- The need to demonstrate the work done. People who work from home may be perceived by other employees as working less or not at all. That is why the work done must be reported.

## REFERENCES

### *a. Books and articles*

1. Mladin Franca, Nagy Cristina Mihaela (2020). „Case study on the organization, implementation and maintenance of internal control, internal audit, and management systems within a public institution”, Annals. Economic Science Series, Vol XXV, pp.102-108

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1. \*\*\*, Legea nr. 672/2002 – privind auditul public intern;
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