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The Main Risks and Threats Posed by the COVID 19 Pandemic on the Supreme Audit Institutions

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The COVID 19 pandemic is one of the worst crises that humanity has faced in the last 100 years, with effects in both health and economics, affecting all states in the world. At the same time, this crisis has generated a number of risks, which have spread to public sector entities, but also to the private sector. This paper aims to analyze the main risks and threats posed by the COVID 19 pandemic to the supreme audit institutions and the response measures of these institutions to the challenges of the crisis caused by the new coronavirus. The particularly important role of these institutions in managing the crisis caused by the COVID 19 pandemic is also highlighted.

Keywords: management, risks, public sector, external public audit, COVID 19, INTOSAI

JEL Classification: M42, H12, G32

1. Introduction

With the onset of the COVID 19 pandemic, a number of risks have occurred around the world that have affected the entire world economy. These risks pose a threat to the proper functioning of public sector institutions, at the level of the private sector sometimes even questioning the very existence of many economic actors. In the case of the public sector, things are more complicated, because the activity of public entities influences the lives of citizens.

Faced with such a situation, unprecedented in the last 100 years, humanity has reacted in various ways, being approached first the medical field, having priority in such a situation, as is normal. Thus, given that no one expected what appeared to be a simple flu to become a global health emergency, there was an acute shortage of protective sanitary materials and medicines, in order to prevent COVID 19 disease and treatment, for too many people in the same time. Such a situation has led to an alarming rise in prices for thoseequipment, with more public funds being allocated by world governments in this regard. Along with this lack of medical equipment, two other dangerous phenomena occurred: the purchase of non-compliant products [1] and the fraud of public money [2], the first having direct and fatal consequences for people.

Regarding the fraud of public money, in the context of the COVID 19 pandemic, this phenomenon was amplified, under the pretext of medical urgency [3]. In this case, the supreme audit institutions have a decisive role, by auditing all operations that involved public money in the context of the COVID 19 pandemic. Also, the role of the supreme audit institutions is reflected in the management of audited entities after specific external public audit activities being carried out.Therefore, the approach of this topic in the current context generated by the COVID 19 pandemic is of interest to the main actors in the public sector [10].

2. External public audit at international level, in the context of the COVID 19 pandemic

The use of public money in the context of the COVID 19 pandemic, in order to purchase sanitary materials and medical equipment, was made mainly through public procurement. However, public funds were also used to support people affected by the COVID 19 pandemic (those in technical unemployment, sick leave, etc.), or companies in certain sectors severely affected by the pandemic, in order to support their activity and avoid bankruptcy. These amounts allocated from public funds required the audit performed by the supreme audit institutions.

Like any public sector institution, the supreme audit institutions have suffered, as a result of the new coronavirus pandemic, not only because of illnesses among their own staff, but also because of changes as a result of their adaptation to the new reality imposed by the COVID 19pandemic.

The International Organization of Supreme Audit Institutions (INTOSAI) reacted swiftly in the context of the COVID 19 pandemic, setting up a COVID 19 Expert Group in May 2020, within the Supervisory Committee on Emerging Issues (SCEI) at the level of the Organization [4]. This group has formulated a number of documents and recommendations for the supreme audit institutions, so that they would be able to react quickly to the necessary changes due to the pandemic. These documents include recommendations aimed at assisting all supreme audit institutions in need of support in the context of the pandemic.

The Supervisory Committee for Emerging Issues, in collaboration with the Policy, Finance and Administration Committee (PFAC) of INTOSAI, has also set up an international database in order to share audit reports conducted in the context of the COVID 19 pandemic, best practices identified in the work of the supreme audit institutions, tools used for remote work in public external audit, as well as training methods for external public auditors in this context. The database [5] also contains information on the findings of the external public audit on topics such as pandemic prevention, preparedness and response, previous audits related to outbreaks of diseases such as Ebola and SARS, health systems, expenses related to COVID-19, etc.

Also in the context of the COVID 19 pandemic, the Supreme Audit Institution of Peru (SAI Peru) has developed an interactive portal (constantly updated), which provides a systemic picture of the measures taken by governments and supreme audit institutions around the world as concerns the COVID 19 pandemic. These are represented on an interactive map, structured on INTOSAI regional organizations [6].

Figure no. 1 Regional organizations of INTOSAI

Source: official website of INTOSAI [7]

Legend
AFROSAI = African Organization of Supreme Audit Institutions
ARABOSAI = Arab Organization of Supreme Audit Institutions
ASOSAI = Asian Organization of Supreme Audit Institutions
CAROSAI = Caribbean Organization of Supreme Audit Institutions
EUROSAI = European Organization of Supreme Audit Institutions
OLACEFS = Organization of Latin American and Caribbean Supreme Audit Institutions
PASAI = Pacific Organization of Supreme Audit Institutions

The data analysis presented on the portal made by SAI Peru within the 7 regional groups of INTOSAI reveals the following measures taken by the supreme audit institutions in the context of the COVID 19 pandemic, by areas (Table no. 1):

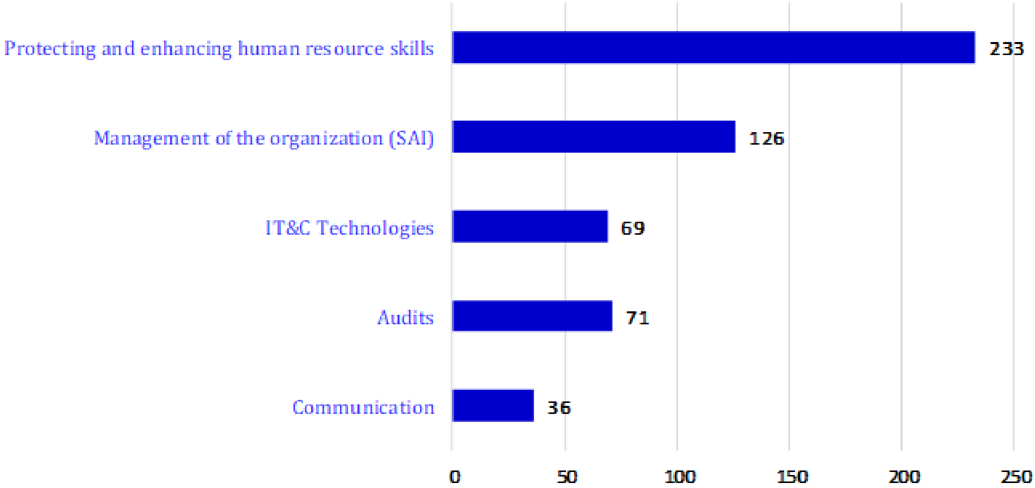
Table no. 1 Number of measures taken by SAIs in the context of COVID 19 (grouped by INTOSAI regional organizations)

Area	No. of measures taken / INTOSAI regions						
	AFROSAI	ARABOSAI	ASOSAI	CAROSAI	EUROSAI	OLACEFS	PASAI
Communication	2	4	3	1	14	8	2
Audits	2	10	6	5	25	19	2
IT&C Technologies	0	9	12	5	21	17	0
Management of the organization (SAI)	3	22	24	17	33	21	3
Protecting and enhancing human resource skills	7	40	24	35	84	35	5
Total	**14**	**85**	**69**	**63**	**177**	**100**	**12**

Source: adapted from *Government and SAI initiatives at the International Level (2020)* [6]

The table above shows the number of measures taken by the supreme audit institutions worldwide, grouped by INTOSAI regions, in the context of the COVID 19 pandemic. If we look at the measurestaken by each regional organization of INTOSAI, the most measures were taken at EUROSAI level (177 measures), followed by OLACEFS (100 measures) and ARABOSAI (85 measures), with the fewest measures being taken by the supreme audit institutions in the Pacific (PASAI - 12 measures).

Chart no. 1 Measures taken by SAIs at INTOSAI level, in the context of the COVID 19 pandemic, by areas



Source: adapted from *Government and SAI initiatives at the International Level (2020)* [6]

From the point of view of the measures taken by the supreme audit institutions in the context of the COVID 19 pandemic, we note that most of them were taken in the field of protecting and enhancing the skills of our own staff, being known that human resources are the most important resource of an organization, all the more so in the context of the COVID 19 pandemic, when the role of supreme audit institutions in the field of external public audit performed on the use of public funds in the processes of public procurement of sanitary materials and medical equipment is so important. At the same time, we can see that measures have been taken at the level of the management of the supreme audit institutions, which will be detailed in the following.

At the opposite end of the scale are the measures taken in the field of communication, although this is extremely important in the continuous demonstration of the relevance and importance of supreme audit institutions to stakeholders (government, parliament, citizens, media), especially in the context of the COVID 19 pandemic, as required by the international audit standard INTOSAI P-12 [8]. Therefore, we consider that this measure should have been included in the short-term strategy of the supreme audit institutions, for the reasons mentioned above.

Regarding the detailing of the measures taken in each field, they are presented in Table no. 2, as follows:

Table no. 2 Detailing the measures taken by SAIs at the INTOSAI level, by areas

Area	Total measures
Communication	**36**
Specialized sites for health emergencies	26
Webinars for disseminating information on the work of SAIs on government audits during the state of emergency	10
Audits	**71**
Real-time audits	12
Ex-ante audits	11
Ex-post audits (compliance/financial/performance)	44
Supervision of control bodies in the field of basic services (water, energy, telecommunications)	4
IT &CTechnologies	**69**
Management of the organization (SAI)	**126**
Budget changes for the control performed in relation to COVID 19	24
Directives on the use and control of public funds in relation to COVID 19	33
Establishment of expert groups at the management level for COVID 19	40
Recruitment of specialists in public health audit	8
Changing the organizational structure to cope with COVID 19 issues	21
Protecting and enhancing human resource skills	**233**
Total	**535**

Source: adapted from *Government and SAI initiatives at the International Level (2020)* [6]

From the presentation of the data shown in Table no. 2, it can be seen that the supreme audit institutions have taken a number of measures in the context of the COVID 19 pandemic, in order to minimize the impact of the crisis generated by this pandemic on them, but also on the specific external public audit activities they carry out in the public sector. Thus, we can easily observe that in the audit area, in addition to the usual audits (ex-post), real-time audits and ex-ante audits (verification of administrative actions before implementation) were performed, where the legal mandate of the supreme audit institution allowed this. At the same time, these institutions also supervised the control bodies in the field of basic services (water, energy, telecommunications, etc.) during the establishment of the state of emergency, so that citizens would not be affected in any way.

We can also notice that, regarding the communication area, special sections related to COVID 19 were made on some official websites of the supreme audit institutions and video sessions (webinars) were held in order to disseminate the good practices taken over from the activity of the supreme audit institutions regarding the audits performed in the context of COVID19 in the governmental sphere, in order to strengthen the external public audit within the international community.

In other words, very important measures have been taken by the supreme audit institutions in the field of organization management, here being implemented most of the measures (126). Thus, most of the measures refer to the modification of the budget of these institutions, in order to cope with the changes in the audits performed (given the fact that the number of audits increased with the COVID 19 pandemic, it is necessary to address some areas quickly). Also, as a strategic measure, at the level of some supreme audit institutions, the management set up special groups to address the issues related to COVID 19, as a measure to streamline operations within these institutions, in the context of the COVID 19 pandemic.

At the same time, the crisis resulted by the COVID 19 pandemic generated a phenomenon never seen before in the supreme audit institutions: the change of their organizational structure. This is the first time this has been achieved due to a phenomenon that is manifesting globally, such as the COVID 19 pandemic. This change in organizational structure is quite difficult to achieve, when there are time constraints, if we take into account the fact that most supreme audit institutions had to adapt their annual work program to the new conditions imposed by the COVID 19 pandemic, by including additional audit topics in addition to those already established, which had an impact on the work their specific audit work.

Another novelty measure, adopted by a small number of supreme audit institutions, is the recruitment of specialists in public health auditing, due to the complexity of operations in this field. Thus, in addition to the professional experience of external public auditors, the experience of specialists in public health auditing was required, in order to add value to the reports issued by the supreme audit institutions in health area.

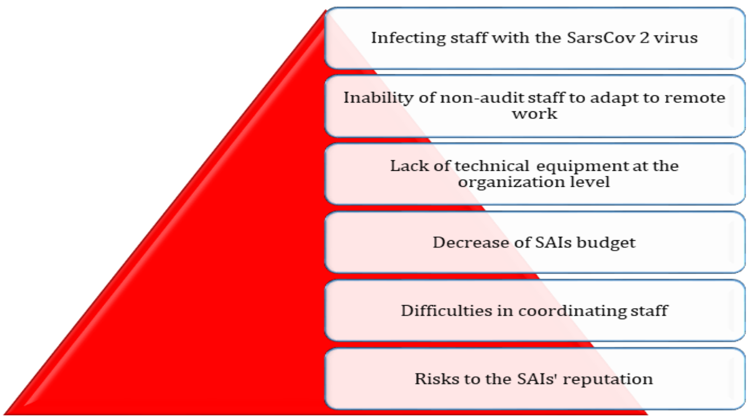
A study[9]carried out on the supreme audit institutions members of EUROSAI, following the launch of a questionnaire in January-February 2021 in order to identify the main changes in the activity of the supreme audit institutions in the context of the COVID 19 pandemic, pointed out that external public auditors have rapidly adapted to the changes imposed by the COVID 19, especially with regard to telework, as they have all the necessary skills, which once again highlights the importance of human resources in organizations .

3. Risks and threats to supreme audit institutions in the context of the pandemic

As happened with all public and private sector entities, the supreme audit institutions also faced a number of risks and threats in the context of the COVID 19 pandemic. These risks and threats manifest themselves in both the supreme audit institution, as an organization, as well as in terms of carrying out specific public external audit activities.

As organizations, the supreme audit institutions faced a series of risks, presented in Figure no. 2 below:

Figure no. 2 The main risks faced by SAIs, as organizations

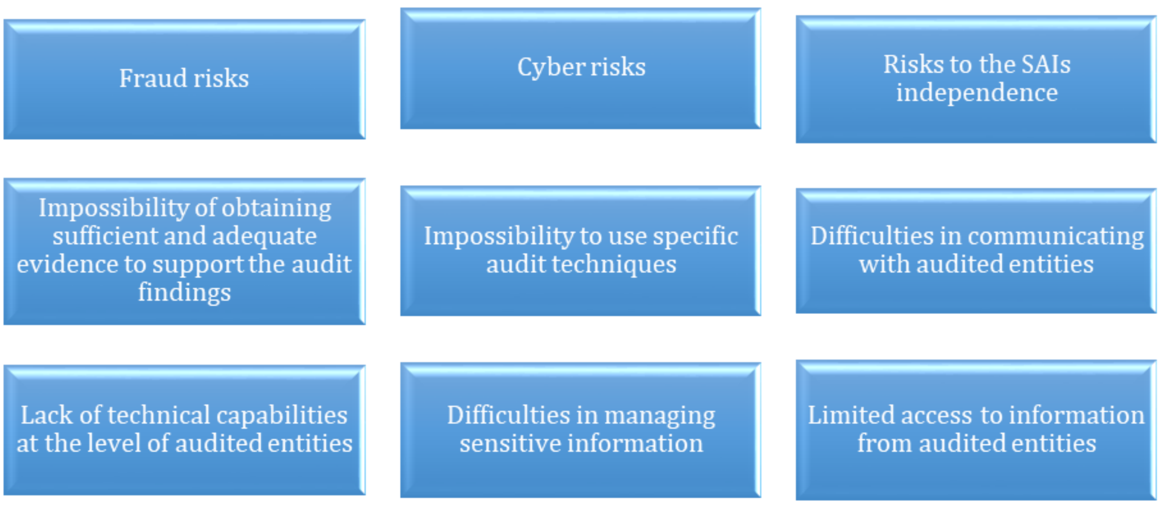


Source: made by the author

As can be seen in Figure no. 2 above, there are a number of risks and threats faced by the supreme audit institutions, as organizations. These risks relate to their internal activity and can be managed by the management of the supreme audit institutions, through effective measures. As we can see, the COVID 19 pandemic brings with it risks related to the infection of its staff with the SarsCov2 virus, its inability to adapt to remote work, but also the difficulty of coordinating it in emergency situations. There is also a risk that some supreme audit institutions may not be sufficiently equipped technically to cope with remote work. Another risk that can significantly affect the activity of the supreme audit institutions is the decrease of their budget, in conditions of economic crisis generated by the COVID pandemic 19. This risk brings with it the risk to the reputation of the supreme audit institution, given that, once communicated to the public the audit topics, they may not be able to perform them, for budgetary reasons or insufficient staff.

Regarding the risks and threats to the supreme audit institutions regarding their specific external public audit activities, they are summarized in Figure no. 3:

Figure no. 3 Risks and threats to the SAIs, in relation to their specific activities in the context of the COVID 19 pandemic



Source: made by the author

In carrying out their specific activities, in the context of the COVID 19 pandemic, the supreme audit institutions face a number of risks and threats, different from those they face as an organization. Thus, from the perspective of remote work, the risk of fraud and, to the same extent, cyber risks can occur. The risk of fraud occurs when the auditor cannot verify a physical document, but only in electronic format, which cannot eliminate the possibility of it being falsified. Cyber risks arise when the security of the computer systems used in the communication with the audited entity or in the processing of information by the external public auditor is low. Also, due to the impossibility of the external public auditor to perform certain operations, being limited by the conditions imposed by the COVID 19 pandemic, there is a risk that it will be impossible for him to obtain sufficient and adequate evidence to support the audit findings.

At the same time, in the conditions of social distance and remote work, in some cases it is impossible for the auditor to use certain specific audit techniques, which are absolutely necessary (for example on-site inspection, physical examination of documents, direct observation of processes and operations of the audited entity, etc.).

With regard to communication with the audited entities, the external public auditor may encounter difficulties, in the sense that there may be delays in making the requested documents available or difficulties in communicating remotely by electronic means. Regarding the audited entities, the lack of technical capacities in their activity may affect the audit process, for the same reasons. At the same time, the audited entity, under the pretext of unavailability of staff, may limit the auditor's access to the information and documents necessary to complete the audit.

One of the most important risks that needs to be managed with great care is the transmission/ processing of sensitive (confidential) information. Both the audited entity and the external public auditor must transmit and process confidential information in a fully secure and encrypted environment, so that third parties cannot in any way access it.

Regarding the risk to the independence of the supreme audit institutions, it arises in the context in which these institutions verify the use of public funds in the context of the COVID 19 pandemic at the level of institutions whose management is politically appointed. Thus, the situation could arise in which the policy area interferes with the activity of the supreme audit institution, which is not desirable, in the context in which the supreme audit institutions must remain independent in the rule of law, as provided by international auditing standards elaborated by INTOSAI.

All these risks and threats must be managed by the management of the supreme audit institutions, through rapid and effective measures, so that they do not affect their activity. This will require both adjusting their strategic orientation. A key quality that supreme audit institutions will need to develop is strategic and operational agility. It denotes the ability to anticipate, identify, respond and adapt quickly and efficiently to new challenges that may arise in the future.

4. Conclusions

In the current context, generated by the pandemic with the novel coronavirus, society has suffered, not only in terms of loss of life, but also in huge economic losses, which has affected the lives of citizens around the world. The economies were not designed to cope with such a negative wave, given that both the public and private sectors were severely affected by the COVID pandemic 19.

The use of public money in the context of the COVID 19 pandemic came to everyone's attention, given that public institutions (especially those in the field of health) had to act quickly and efficiently in order to preserve human lives and combat pandemic with the novel coronavirus. Under these conditions, the supreme audit institutions have a decisive role, not only as "guardians of public finances" but also an important role in ensuring financial discipline, especially in the chaos generated by massive acquisitions in health and in the conditions that a shortageof sanitary materials and medical equipment needed was found in worldwide, with direct consequence of huge price increases in this area and the emergence of counterfeit products, which have endangered human health.

Like all public sector institutions, supreme audit institutions have faced a number of risks and threats, which have had an impact on their activity as an organization, but also on their specific external public audit activity. In this sense, the management of these institutions had to find quick solutions, in order to adapt to the new reality imposed by the pandemic of SarsCov2 virus, the support of the international community INTOSAI and cooperation between supreme audit institutions at international level being decisive in such circumstances.

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