# The Role of the Internal Audit Function Post Covid-19 Crisis in Maltese Listed Companies


By

**Janice Gherxi**


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## FACULTY/INSTITUTE/CENTRE/SCHOOL Faculty of Economics, Management & Accountancy

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# Abstract

**Title** - The Role of the Internal Audit Function Post Covid-19 Crisis in Maltese Listed Companies

**Purpose** - The objectives of the study were to determine how the role of the internal audit function changed within the local business over the years and especially due to the pandemic, to discover the unforeseen challenges faced by internal auditors during the pandemic period and how such challenges can be mitigated and finally to suggest any recommendations on how to build better business models and approaches for future uncertain events.

**Design –** To address the study's objectives, a qualitative analysis approach was adopted to enable the researcher to understand and explain the phenomenon in a profound manner. A total of fourteen semi-structured interviews were conducted with internal auditors within various Maltese Listed Entities.

**Findings** - The study revealed that the role of the internal audit function did vary significantly over time and throughout the pandemic. It was also shown that unfortunately, the pandemic had an impact on several Maltese Listed Companies' internal audit departments. The study also showed that even though unprecedented difficulties arose, the internal audit function made sure to mitigate them by examining the controls in place, giving the required and necessary training to various personnel, and adapting to the new scenario with a roll-up-your-sleeves attitude. Notwithstanding the impact that the pandemic caused, it also presented new opportunities and methods, which are likely to be used in the new normal going forward. Finally, new approaches and suggestions for building a better internal audit function were highlighted in the findings, as to prepare them to be better prepared for unforeseen future events.

**Conclusion –** Although the study showed that several internal audit functions were impacted due to the outbreak of the pandemic, it was concluded that the pandemic also paved the way for new practices and suggestions within such departments.

**Value –** This study sheds light and raises more awareness on the position of the internal audit function within the local industry. Considering the changes it had faced throughout its existence and due to the pandemic, it is important that the internal audit function continues to add value within organisations, while it adopts new strategies to remain relevant.

**Keywords –** Internal Audit Function, Covid-19 Pandemic, Challenges, Way Forward

Dedicated to my parents, Stephen and Vivienne, my sister Jessica and my boyfriend Omar who supported me throughout this journey.

*In loving memory of my guardian angels.*

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| | |
|---|---|
| Audit Committee | AC |
| Business Continuity Management | BCM |
| Business Continuity Plan | BCP |
| Chartered Institute of Internal Auditors | CIIA |
| Coronavirus Disease 2019 | COVID-19 |
| Data Analytics | DA |
| European Confederation of Institutes of Internal Auditing | ECIIA |
| Flexible Work Arrangement | FWA |
| Institute for Internal Auditors | IIA |
| Internal Audit | IA |
| Internal Audit Function | IAF |
| Internal Auditor | IAor |
| International Auditing and Assurance Standards Board | IAASB |
| Price Waterhouse Coopers | PwC |
| Robotic Process Automation | RPA |

# Chapter 1
Introduction

## 1.1 Introduction

This introductory chapter serves to introduce the study topic. Section 1.2 provides general background information and important definitions regarding the topic. Sections 1.3 and 1.4 identify and highlight the need and objectives of this study respectively. Section 1.5 underlines the limitations of the study. Finally, Section 1.6 concludes the introductory chapter with a description of the dissertation's structure. Figure 1.1 outlines the chapter's overview.

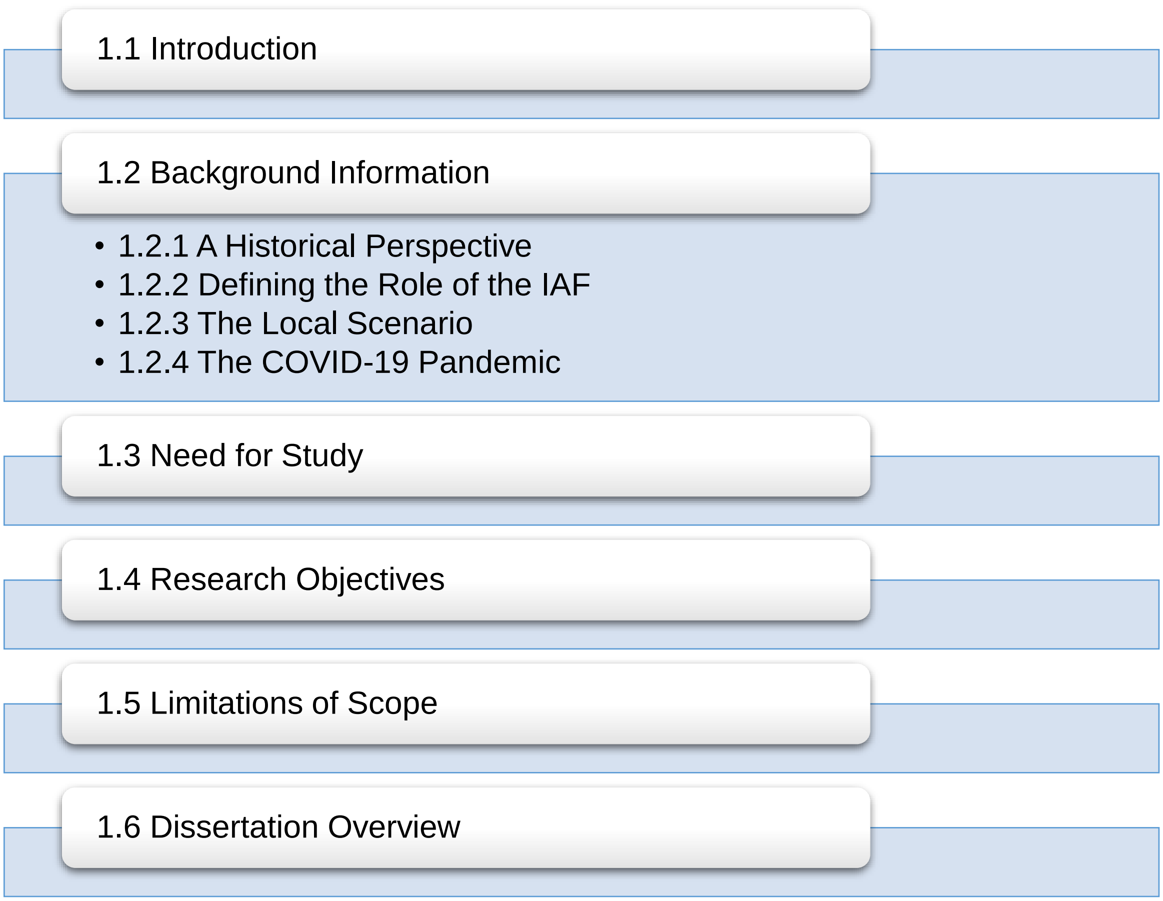


Figure 1.1: Overview of Chapter 1

## 1.2 Background Information

### 1.2.1 A Historical Perspective

The need to have external and internal auditing (IAing) in businesses arises from the concept that there should be a sense of impartial authentication to decrease errors in record keeping and reduce the risk of fraud or embezzlement of assets, which may arise during the course of doing business (Ramamoorti 2003).

Almost as far as 4,000 B.C., historians believed that governments and established organisations in the Near East employed systems for record-keeping to be able to maintain proper systems relating to the collection of taxes and earnings (Ramamoorti 2003). The idea behind an internal audit function (IAF) as explained by Hagerman (1980) as cited by Ramamorti (2003) is to lessen the opportunity of temptation for employees to steal. As time passed, businesses continued to grow in size and complexity, leading to an increase in the requirement of having an internal affirmation, which would help authenticate any information presented to the top management to make decisions (Farrugia 2005).

### 1.2.2 Defining the Role of the IAF

Following major corporate scandals, such as the Enron Scandal and the Global Financial Crisis back in 2008, investors and the general public felt the need to put more pressure on the importance of corporate governance. Regulators reacted to such pressures by enhancing regulatory frameworks and increasing disclosure requirements, hence increasing the demand and prominence for businesses to have in place an IAF (Soh, Martinov-Bennie 2011).

Presently, businesses having an IAF in place is considered to be a benefit as the insights provided by an IAF will help such businesses to expand and develop. Although such a sector is relatively new for several businesses locally, this is considered to be valuable especially when these are developed in-house (Spiteri 2020). Moreover, organisations can decide whether to completely outsource their internal audit (IA) to an external provider, provide the service wholly internally, or use a combination of both (Ahlawat, Lowe 2004).

The Chartered Institute of Internal Auditors (CIIA) was set up in 1941 and since then it has served as a significant voice to advocate the IA profession. The Institute for Internal Auditors (IIA) defined the IAF as:

> *"The role which provides independent and objective assurance and acts as a consulting activity designed to add value and improve any organisation's operations. It also helps an organisation in accomplishing its objectives by making sure to bring a systematic, disciplined approach to evaluate and improve the effectiveness and efficiency of risk management, control processes as well as governance processes"* (IIA 2022).

The internal auditors (Aors) must have a thorough understanding of the organisation to successfully perform meaningful evaluations, and they may use established governance, risk management, and control frameworks as a guide[1]. Sheffield (2008) as cited by IIA (n.d, p.2) argued that;

> *"The internal audit functions provide several important services and are often the catalyst for improving organisational governance and risk management."*

The work performed by the IAors goes further than that of the external auditors since the former inquire into financial risks which the organisation may face and apprehend reports. Throughout their work, they take into account the status and growth of the organisation, and the effect on the employees and environment (Ojha 2012).

Lalkhen (2018) argued that although several countries do not impose the need to have an IAF in place, such function would offer several benefits such as: assisting and consulting with top management with recognising any weaknesses in the

[1] Further information is found in Appendix 1 - International Standards for the Professional Practice of IAing

systems, suggesting opportunities to improve where essential, and determining any emerging risks.

The accountability and position of the IAF should be set at the higher levels of an organisation. There is no one model fits all for an IAF and this will normally be agreed on by the organisation itself depending on its requirements (Institute of Chartered Accountants 2004). If such function is approved by the Audit Committee (AC), it will pledge itself that such organisation will have proper corporate governance in place which operates as anticipated, and if any risks are detected these are addressed and controlled to a level which is acceptable by the organisation (Listing Authority 2022 C5.117).

### 1.2.3 The Local Scenario

When the first Listing Rules were issued, every Maltese Listed Company (MLC) was required to have an AC in place (Listing Authority 2022 C5.117). Several Boards of Directors in organisations served as members of the ACs during the annual auditing process. Besides to the audit process, the AC is also responsible for other important jobs relating to internal controls (IIA 2021).

To have effective corporate governance in an organisation, there must be a positive interaction between the IAF and the AC. A solid working relationship would be vital for both parties to be able to fulfil their duties efficiently (IIA 2019). An efficient IAF would assist the AC in the oversight of monitoring, reporting, and risk management

(Bishop, Hermanson et al. 2000). For both functions to gain maximum advantage, it is important to have open communication, whilst making sure that IAors have reliable and coherent admission to the AC (IIA 2019). Moreover, being the third and final line of defence, the IAF should act independently from management to oversee the other two lines of defence and assist the AC (Roussy, Rodrigue 2016).

Locally, an IAF is not a requirement for MLC, however, IAFs in Malta are growing and are being considered as a best practice to have it (Baldacchino, Tabone et al. 2021). There are many companies which although not obliged to set up an IAF, are recognising the benefits to have one. As recognised in a study conducted by Baldacchino, Tabone et al. (2021), it would be a great enhancement, if the introduction of IAFs within MLCs is obligatory.

### 1.2.4 The COVID-19 Pandemic

Right before the end of 2019, there was an outbreak of an "*infectious disease caused by the SARS-CoV-2 virus*" (WHO 2022). The majority of individuals who became infected with this disease, experienced and suffered from respiratory illness and recovered without the need for any special treatment. The disease broke out in China and proceeded to spread around the globe in a matter of weeks, with the Public Health Emergency of International Concern declaring it a global pandemic (WHO 2022).

The implications of such an outbreak were far-reaching leaving no human being, organisation, or society unaffected (Singh 2020). The pandemic had catastrophic results on the entire globe as it caused havoc in the health, social and economic sectors which later led to further ramifications (Goodell 2020). Unfortunately, such results have left the management of service-providing entities in a quandary. Millions of people around the globe had to change their working patterns within organisations (Richter 2020). Many organisations throughout the pandemic had to adopt and implement new information technology systems while other organisations had to entirely reconsider their business model by shifting to online services and engaging in new business channels to comply with the social distancing requirements imposed by governments and health organisations (Leidner 2020, Papagiannidis, Harris et al. 2020, Carroll, Strenger et al. 2020).

## 1.3 Need for the Study

After the outbreak of the Coronavirus (COVID-19) pandemic, several organisations, their conditions, and their way of operating were forced to change in ways that had not been previously imagined. The IAF was uniquely positioned to play a key role in responding to the crisis, from a position of good managerial knowledge (Deloitte 2022). As organisations were adapting to deal with the effect of the COVID-19 impact, the IAF had to continue providing assurance, help with advising management on shifting controls and anticipating any developing risks.

Given that the situations in every country were changing rapidly, the IAF had to keep abreast of any regulatory announcements and adhere to any corresponding-organisational responses when formulating any IA-specific work (Deloitte 2022). It is no surprise that the IAF faced significant challenges and uncertainties during the pandemic, thus it had to adapt to new processes and procedures during their day-to-day work. Despite these unprecedented events, to date, there has been no research carried out locally on the influence of the COVID-19 pandemic on the IAF.

Such a study will shed light on how the role of IAors shifted throughout the years and during such a pandemic, the challenges which were faced by the IAors and lastly, provide any recommendations on how such organisations can build better business models.

## 1.4 Research Objectives

The study aims to address the following objectives:

(1) Determine how the role of the internal audit function changed within the local business over the years and due to the pandemic;

(2) Discover the challenges faced by internal auditors while conducting their work during the pandemic period and how such challenges can be mitigated; and

(3) Suggest recommendations and approaches on how to build better business models for future uncertain events.

## 1.5 Limitations of Scope

Given that the study will be based on IAFs, and in Malta, IAFs are considered as best practice for MLC to have in place, there will only be a small portion of the local organisations which will be able to participate in such study. Moreover, since this research is an exploratory research, it will not go into the specifics of any business. As a result, this research will present a general view of IAors from various MLCs.

Also, given that the COVID-19 pandemic started towards the end of 2019, the literature on the effects of the pandemic on the IAFs, both locally and internationally is expected to be very limited. To date, businesses in general, are still searching for and adapting to new mechanisms which were heavily imposed on them due to such pandemic and its repercussions.

## 1.6 Dissertation Overview

The dissertation will consist of five chapters as illustrated in Figure 1.2.

**Chapter 1 - Introduction**

- This chapter will give a better understanding of the background of the subject. Moreover, the introductory chapter will also describe the rationale of the study and present the objectives of the study along with the limitations of scope.

**Chapter 2 - Literature Review**

- Within this chapter, the researcher shall take into consideration extensive existing literature on the subject including books, published articles, past dissertations, and relevant legislations. In line with such review, the study will thoroughly examine how the IAFs' responsibilities changed as a consequence of the pandemic and the difficulties that IAors encountered while making recommendations for how businesses might create stronger business plans for the future.

**Chapter 3 - Research Methodolody**

- The research techniques and the data collection methods used throughout the study will be discussed in this chapter.

**Chapter 4 - Findings and Discussion of the Findings**

- This chapter will present and outline the findings obtained by the researcher through the interviews conducted with the IAFs in MLC. Additionally, the findings will be dissected and compared with the information sourced through the literature review.

**Chapter 5 - Conclusion and Recommendations**

- A summary of the research and recommendations that may be obtained from such study will be presented in the last chapter.

Figure 1.2: Overview of the Dissertation

# Chapter 2
Literature Review

## 2.1 Introduction

Chapter 2 focuses on existing literature and examines its pertinence to the study. Section 2.2 delves into the changing role of the IAF over time. The following section, Section 2.3 investigates the shift in the role of the IAF during the pandemic, while Section 2.4 explores how the IAF was obstructed by the pandemic and the changes it has undergone to be able to endure in the course of such a pandemic. Section 2.5 looks at the future opportunities presented to the IAF to move away from the traditional way of operating and focus on building better strategies for the organisations. Section 2.6 tackles the pre and post-pandemic risks faced by the IAF. Lastly, Section 2.7 closes off the chapter. This is shown in Figure 2.1 overleaf.

2.1 Introduction

2.2 Moving Away from the Traditional Role of the IAF

2.3 The Shift in the Role of the IAF during the Pandemic

2.4 The Impact of the COVID-19 Pandemic on the Role and Activities of the IAF

- 2.4.1 Challenges faced by the IAFs during COVID-19
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2.5 Building the IAF of the Future

- 2.5.1 Opportunities for the Future of the IAF
  - 2.5.1.1 Increase the IAF's worth
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  - 2.5.1.4 Embed in Upskilling for IAors

2.6 Pre and Post Covid-19 Pandemic Risks

- 2.6.1 Prior Pandemic Risks
- 2.6.2 Future potential risks

2.7 Conclusion

Figure 2.1: Overview of Chapter 2

## 2.2 Moving Away from the Traditional Role of the IAF

In the past, the IAF was understood to be a supervising activity, an "*organisational policeman and watchdog*" (Morgan 1980, p.161). It was recognised as an important element in the control procedures of an organisation but was not considered suitable for any of the achievement of its objectives. As part of the progress of the proficiency of the IAF during 1979, Morgan (1980, p.167) recognised the need for the IAors to adjust from "*controllers*" to "*controller-advisers*". He noted that such shift could only be "*successfully achieved at the cost of surrendering certain elements of the controllership role and some of the claims to formal authority which go along with it*" (Morgan 1980, p.168). Years later, the IIA published a new definition for the IAF which merely focused on impartiality, independence, providing the IAors with a consultancy role and value-adding while working on improving the effectiveness of the processes and controls which are already in place (Ramamoorthi 2003).

Over time, organisations grew, and these become more complex and diversified hence, the expectations from the work of the IAors grew. Through such changes, the work of the IAors changed from a reactive to a more proactive approach and more prominence was placed on justifying and offering assurances over risks, which may be presented (Bou-Raad 2000, Zammit 2008).

The scope for the IAF has developed beyond compliance and financial reporting as nowadays, these are also responsible for identifying any risks which may be presented. The more laws and regulations being proposed to the organisations, the more challenges are being presented to the directors within the company to maintain higher levels of clarity, competencies, and objectivity (Kapoor, Brozzetti 2012).

Ramamoorti (2003) argued that through such changes in the business environment, the IAF was looked into as the best-qualified group of experts to contribute and assist with such experiments with better governance and to support essential governance procedures. The IAors were expected to understand the broad risks confronting the organisation to align both internal and external capabilities to create value consistent with the organisation's objectives and core value-creating processes. Challenges which were faced by the IAF included keeping abreast with the business risks, managing the information which was presented to them and expanding their roles and responsibilities (Kapoor, Brozzetti, 2012).

According to Zammit (2008, p.2), IAors are

> *"Increasingly being challenged to apply their expertise in much broader ways than ever before, such as evaluating emerging technologies, detecting and deterring fraud, analysing the effectiveness of policies and procedures."*

Partiba, Gajula et al. (2018) contended that the role of the IAF portrays an important function within organisations as it strives to deliver the required information.

## 2.3 The Shift in the Role of the IAF during the Pandemic

Under normal circumstances, the IAF focuses on offering assurance within the organisation. However, due to the outbreak of the pandemic, the IAF was anticipated to provide a broader variety of services, often on short notice as risks have multiplied and become more complicated (Barac, Plant et al. 2021).

To deal with the ongoing developments and alterations in the business environment, the IAF needed to revisit its role and responsibilities within the organisations to keep up with the developments, which were taking place in their surrounding situations (Barac, Plant et al. 2021). Such roles were entrusted to the IAFs:

- To analyse and evaluate the operational impacts that the organisations were facing due to such uncertainties (Deloitte 2020);
- To help organisations achieve their objectives by ensuring that guidance and assurance are provided to the organisation’s critical processes and departments (Bhakta, Madenburg 2020); and
- To ensure that all company’s stakeholders are kept well-secured during the pandemic (Bhakta, Madenburg 2020).

Remaining proactive and working on assisting organisations on how to comprehend and deal with such uncertainties presented by the pandemic was crucial for the IAFs (Cudlip 2020).

The onset of the pandemic demonstrated to all companies the critical importance of risk reduction and long-term planning. During such times, having a strategic and comprehensive IAF had added value to organisations as it increased the organisation's worth, while it also helped organisations to prepare for uncertainties (Global 2021).

## 2.4 The Impact of the COVID-19 Pandemic on the Role and Activities of the IAF

Throughout recent years, the IAFs continued to experience changes in the way they operate due to digital transformations, other emerging technologies and the outbreak of the pandemic (Martinelli, Friedman et al. 2020, Serag, Daoud 2021).

Tušek, Ježovita et al. (2020) argued that the accelerated application of digital technology led to many and significant changes in business models, strategies, and organisational structures. For many IAFs, the pandemic required them to revaluate priorities to respond to the resiliency matters caused by the virus (Martinelli, Friedman et al. 2020). However, for other IAFs, this was a push to search for alternative ways of working and speed up the digitalisation of performing activities (Tušek, Ježovita et al. 2020).

Due to the adjustments being undertaken in the business environments, standard-setters and regulatory organisations had to revise previously published standards and add new instructions and guidelines for IAors to be able to abide by (Kljajić, Mizdraković et al. 2022). Throughout March 2020, the International Auditing and Assurance Standards Board (IAASB) issued a set of guidelines for auditors to follow. The IAASB clarified that auditors should continue to follow the requisite standards, which may require more improved considerations given the situation and may need to consider alternative processes and procedures to gather the appropriate and sufficient information that is required to be able to form an opinion (IAASB 2020).

### 2.4.1 Challenges faced by the IAFs during COVID-19

Given that several countries were subject to partial or full lockdowns, the organisations needed to become flexible and innovative to survive throughout such crisis. Flexibility and adaptation were required to be present in all lines of defence. To keep up with such a situation, the IAFs needed to reassess their significance as newly surfaced risks needed to be taken into consideration (KPMG 2020).

2.4.1.1 Disruption in the IA Work

Although different types of audits may change the way things are done, the IAFs generally follow the same audit process as shown below:

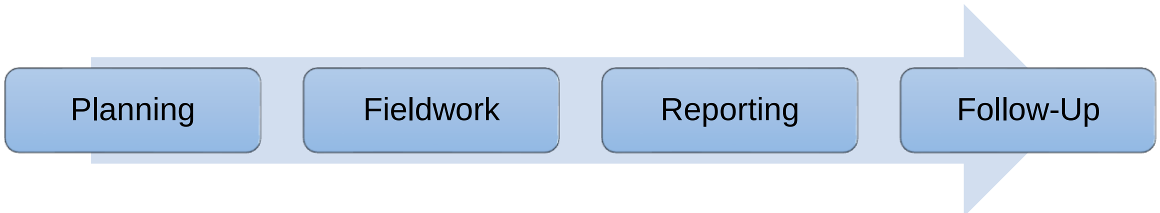


Figure 2.2: The IA Process

Primarily, every IA should start up with a plan, where the IAors will define the objectives and the scope (Pickett 2010). Fieldwork is the real inspection process, where the audit team will carry out the audit strategy. During the reporting process, the audit report will be written (Clarke 2022). To prevent misinterpretation and to urge the intended audience to read the report, it should be written clearly and concisely. Findings should be supported by actionable suggestions that lead directly to process changes. The follow-up step is essential to ensure that the suggestions to address the identified results have been followed (Clarke 2022).

The extraordinary circumstances that the pandemic brought with it required a fresh approach to the way the IA work was being carried out. The IAF could not simply insist on continuing to deliver the work based on its existing plans and processes. Several organisations were undergoing significant disruptions, and the audit plans in place were unlikely to be fit for purpose during such times (Cudlip 2020). The organisations had to either postpone, cancel, or even delay their planned audits so as for the IAFs to focus on the issues which were arising due to the pandemic (KPMG 2020).

A study conducted by Price Waterhouse Coopers (PwC) in Switzerland, showed that approximately some of the respondents had their IA postponed at a later date, due to the higher priority being given to other topics. Other respondents argued that they had to cancel audits without these being replaced. While the rest of the respondents stated that new audits were added to make the changes in risk. Others stated that audits were conducted as planned but in a different form respectively (Ambühl 2020).

Due to travel restrictions being imposed by most governments, many a time, fieldwork could not take place at the premises of their clients (Fountain 2022). Fountain (2022) argued that irrespective of the virtual platforms being used, executing transparent cross-functional organisation risk assessment was proven to be challenging to be carried out. Additional constraints were being presented to the IAF when it came to conducting interviews, accessing confidential data, random inspections and verifying the authenticity of documentation. Consequently, the IAF needed to ensure that careful consideration is given to whether all aspects of the fieldwork phase can be performed adequately remotely (KPMG 2020).

Communication with the stakeholders also needed to be considered (Satya, Shauki 2022). The executive management was expecting regular updates and reports concerning changes in the risk environment, the adequacy of controls, details of any risk or control concerns and results from completed audits, including any caveats or restrictions pertaining to the audit work or conclusions (IACP 2020). IAors were also obligated to report more frequently to their AC, during the pandemic, as the AC relied heavily on the IAFs to supplement and confirm status reports, which were provided by management (Martinelli, Friedman et al. 2020).

The need to follow up a process, uphold the same standards of work, and gather evidence to draw conclusions and form an opinion, presented several practical challenges for IAors mainly because:

- IAors may need to modify the scope of the audit to exclude certain areas or the review's conclusion, as the team could not conduct random inspections or on-site validation of the controls in place (Beale 2021); and
- Through remote working one could not observe the auditees' body language, which is considered crucial when interviewing another person, as it is gathered as part of the evidence (Chartered Institute of Internal Auditors [CIIA] 2022).

Regular progress updates, control issues identification and reporting on the way forward became vital and focus was given to these to ensure the best use of everyone's time (Beale 2020). Notwithstanding the possibly far-reaching negative outcomes of the pandemic, it is surprising how it has been a push forward for ground-breaking ideas and for the development of new business models.

Organisations were examining new methods of coordinating themselves and making business different from before (Ambühl 2020).

#### 2.4.1.2 Shifting from Onsite to Remote Working

Quarantine measures, isolation recommendations and staying-at-home restrictions placed barriers for the IAFs. To secure their employees' health, organisations had to adopt new flexible work arrangement (FWA) methods (Boland, Smet et al. 2020). Several organisations shifted their employees to remote working to be able to continue the operation of their business (Florea, Florea 2021). Although such measurements were put into place to reduce the transmission of the virus, this presented an unprecedented experiment to the organisations (Singh 2020). To adapt to remote working, the IAors needed to ensure that all employees had the necessary resources, sufficient skills and training required to perform the audits remotely (Beale 2020, KPMG 2020).

A study carried out locally by PwC (2020), gathered the insights of over 850 workers to understand their perceptions and how this could be a viable way of working in the future. It was concluded that 51% of the survey respondents agreed that the ideal way would be to split their time between working remotely and working from the office. Only 19% expressed that they preferred to work exclusively from their workplace. While 22% of the respondents argued that they would prefer to keep on working remotely after the pandemic; however, their organisation does not allow it

(PwC 2020). Some employees recognised the advantages of working from home triggering a shift in the mindset that will likely have an impact on the future of the workspaces and the work routines. Others were eager to go back to their normal work environments (PwC 2020).

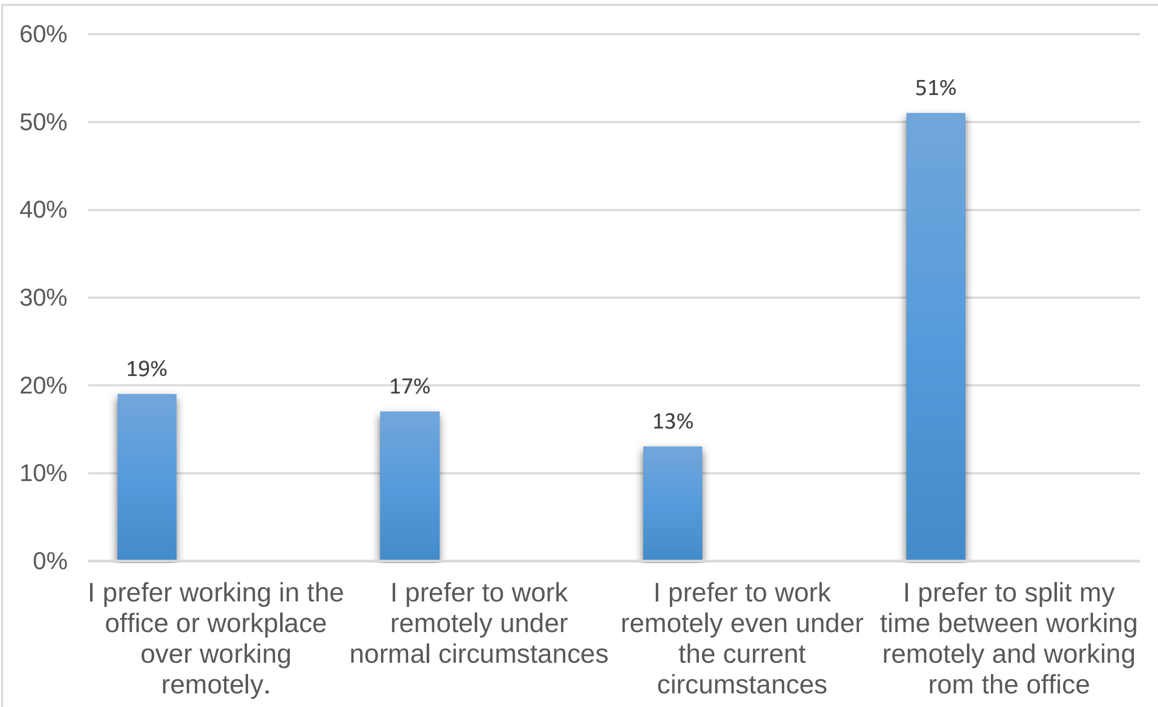


Figure 2.3: The COVID-19 Remote Working Experiment (PwC 2020)

*Advantages and Disadvantages of Remote Working*

The study carried out by PwC (2020), showed that some of the respondents argued that their productivity increased when compared to working in the office. As a matter of fact, some participants argued that their management had become less cautious about remote working after experiencing the efficiency of their employees during such crisis. Through this new FWA, employees benefited from a considerable degree of autonomy (PwC 2020). Other studies shared alternative benefits of remote working, including the restoration of a sense of normality, enjoy a better work-life balance, less stress levels and burnouts, reduced travel expenses, an increased pool of available auditors, expanded coverage, improved document reviews and reduced audit burden on facility operations (Cattell 2004, IIA 2020b).

On the other hand, limitations such as the inability to replace first-hand observations and to establish rapport with auditees, the absence of in-person interaction that could lead to opportunities for reporting fraud, poor mental health well-being, occupational distress, and isolation were reported (IIA 2020b). Supervision and segregation of duties in a remote environment may also not be fully negotiated (CIIA 2022). The largest percentage of the respondents who viewed such experience negatively were those who had children and roommates who implied that remote working is more difficult due to distractions and more caregiver responsibilities (PwC 2020).

#### 2.4.1.3 Increase in Cyber Risks

Technology already allows auditors to work remotely, in a connected society (Barac, Plant et al. 2021). As a result of the pandemic, uncertainty and anxiety for organisations were on the rise. Thus, the IAFs had to adapt to remote working on a larger case and at a rapid pace (Dissanayake 2022).

Due to physical distance restrictions being imposed, companies had been forced to redesign their policies swiftly, leaving employees to work from home without the necessary training and any planned arrangements (Hermanson, Hermanson et al. 2020). The adoption of remote working models left the organisations vulnerable to cyberattacks and increase risks to internal data (Pranggono, Arabo 2021). Furthermore, Uberti (2020) explained that those employees who worked from home and relied on their home networks were more prone to cyber risks. Thus, cybersecurity became a concerning issue due to emerging cyber threats and security incidents which were arising (Hakak, Khan et al. 2020). Scams and phishing were the main types of cyberattacks organisations endured during the pandemic (Alshamrani, Myneni et al. 2019).

The IAFs had to consider the effect of COVID-19 on the organisation's IT security and identify whether any gaps were in place (Cudlip 2020). Given that the work was being conducted online, the IAors had to assess the adequacy and effectiveness of the remote access controls, implement a more robust control framework tailored to specific areas to provide recommendations on raising awareness and strengthening threat detection and implement third-party security plans to respond to cybersecurity risks (Serag, Daud 2021).

#### 2.4.1.4 Fraudulent Activities

The pandemic brought around numerous uncertainties, creating the perfect environment for fraud to thrive (Goldfinch, Bereśniewicz 2020). While many organisations during the pandemic went into survival mode as they faced immense pressures and economic uncertainty, the financial and health threats being presented made individuals feel defenceless, leading to the elements of the fraud triangle (incentives, opportunity and rationalisation) being heightened (Dorris 2020, Kagias, Cheliatsidou et al. 2022).

Both Thorps (2020) and Weitz (2022) argued that:

- Many organisations faced mounting incentives as a result of a difficult and unpredictable financial situation that led to a widespread state of emergency;
- Opportunity has increased because of the shifting working methods and swiftly adjusting control frameworks; and
- Rationalisation had increased due to a decline in loyalty and a sense of belonging brought on by an increase in remote working and its effects on reward and compensation structures.

One of the factors that raised concerns regarding the increase in fraud was the increased difficulty of conducting IAs virtually (CIIA 2022). The IAFs argued that it proved difficult for them to build a good understanding of their clients behind a screen as they could not engage in proper conversations, read peoples' body language and gather insightful information. One of the IAors highlighted that:

> *"It is very hard to audit remotely. Interviews are quite formal, and it is hard to get the 'unofficial' sense of people and process. Also, internal team interaction suffers from not sharing information over lunch or coffee"* (CIIA 2022, p.10).

Although not all of the IAFs have experienced reported fraud cases during the pandemic, many faced attempts at fraudulent actions. Given the uncertainty the pandemic brought along, and the issues still being faced by many, fraudulent auditing should be given priority on the organisations' agendas (Wood, Chambers 2022). To decrease the increased risk of fraud, numerous studies noticed that many IAFs were adapting to such risk by increasing extra layers of controls in their processes and procedures (CIIA 2022).

Weitz (2022) issued two reports in collaboration with the IAFs and the IIA. The first report was based on a survey conducted before the start of the pandemic and the other was based on a survey carried out throughout the pandemic. Such reports discussed the shift in the role of the IAFs in relation to fraud risk management due to the pandemic. Such studies showed that the last two years have presented the IAFs with significant challenges and described it as the "*perfect storm"* in terms of the likelihood of fraud occurring and going undetected (Weitz 2022, p.1). The alterations in the work practices and the enforced shift of remote working provided new opportunities for fraudsters. Over half of the respondents reported an increase in cyber and phishing fraud (Weitz 2022).

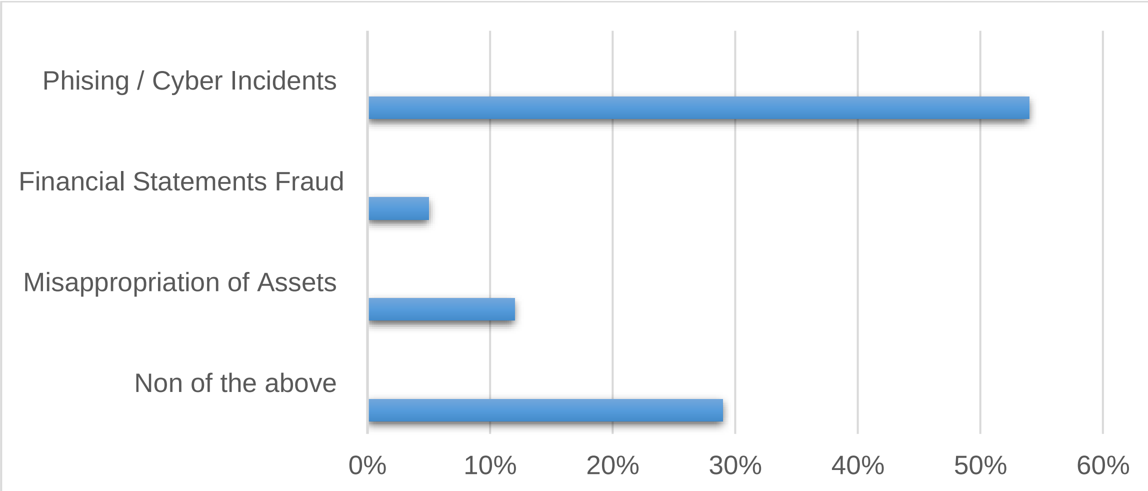


Figure 2.4: Areas with fraudulent activity since the start of the pandemic (Weitz 2022, p.7).

*The Role of IAF with regards to Fraudulent Activities*

The IAF had a very significant role as the risk of fraud continued to increase. As per the standard 1210.A2, issued by the IIA (2022):

> *"Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud".*

The IAF should not only work on assuring the organisations that the controls are in place but act as trusted advisors. By acting as trusted advisors, they should take into consideration the elements of the fraud triangle and real-life scenarios to anticipate any fraudulent actions that such organisations must face (CIIA 2022). Greater emphasis was placed on ensuring that the data held is used more competently to deter and detect any frauds which may be presented. Such process could be facilitated by the use of data analytics (DA) and a strong dose of professional scepticism (Weitz 2022).

#### 2.4.1.5 Disruptions in Business Continuity Plan

Business Continuity Management (BCM) is the management process that anticipates potential crises or risks that might hinder an organisation's ability to accomplish its objectives and implement strategies to address such risks (Deloitte 2022). An important area covered by BCM is the business continuity plan (BCP), a plan that organisations develop to perform the required activities to recover from unanticipated interruptions and resume regular operations (Deloitte 2022). Unfortunately, BCP is an activity perceived as time-consuming, costly, and resource-intensive (Doughty 2000).

Various IAFs struggled to cope with the challenges which were presented to them unexpectedly and part of these consequences arose since organisations dedicated limited attention to BCP before the pandemic (Serag, Daoud, 2021).

The IAF is well-positioned to make significant contributions to the creation, implementation, and evaluation of an organisation's BCP due to its position within the organisation, depth of skills and qualifications of the IAors. Depending on the existence and maturity of BCP and the seriousness of the crisis, the IAF may play a variety of key and supporting roles (Dissanayake 2022, Global 2021).

## 2.5 Building the IAF of the Future

The occurrence of the pandemic threw the IAFs into the spotlight. While organisations starting to move towards the new normality, the IAF had to seize such an opportunity to strike the right balance between giving assurance and reinvesting and making improvements to enhance its perceived value in the organisations (KPMG 2021, Inyang-Ethel, Inyang-Ochi et al. 2021). The IAors were pushed to rethink their current audit plans, expand the scope of their work, navigate a new set of risks, adapt to remote working, and assist their organisations in mitigating the unprecedented disruption caused by COVID-19 (Christ, Eulerich et al. 2021).

### 2.5.1 Opportunities for the Future of the IAF

Moving forward, since the pandemic served as a mechanism for the innovation of new business models, which allowed organisations to look into diverse methods on how to conduct their business, measures taken into consideration during the pandemic, are highly likely to be maintained as the “*new normal*” (Ambühl 2020). The adjustments, such as the adoption of remote working/auditing will most probably have “*a long-lasting effect*” and will continue to play an imperative role post-COVID-19 (Ambühl 2020).

#### 2.5.1.1 Increase the IAF’s worth

The traditional audit responsibilities such as the detection of risks and frauds became standard operating procedures for the IAF. More attention was placed on business resilience, supply chain disruptions, and the risks associated with data privacy in a digitally transformed working environment (Christ, Eulerich et al. 2021). IAors are crucial in organisations as they help in developing better risk and compliance programmes whilst assisting in preparing for any future challenges (McGee 2021).

#### 2.5.1.2 Build Agility in the IAF

Deloitte (2018, p.2) defines an agile IA as “*the mindset an internal audit function will adopt to focus on stakeholder needs, accelerate audit cycles, drive timely insights, reduce wasted effort, and generate less documentation”.* Throughout the pandemic, risks evolved at such a rapid pace that lengthy audits with rigid, pre-defined plans were no longer feasible (MetricStream 2021). Furthermore, since traditional operating models were disrupted by the pandemic, organisations were forced to adjust quickly, which resulted in rapid alterations to risk profiles. Such changes required IAFs to implement scalable, adaptable audit techniques and approaches during a small timeframe (Craze 2022).

Although the majority of recognised IAFs operate using the waterfall traditional method, many are seeing the value of shifting to a more collaborative and iterative approach to audit planning, scoping, and delivery (Ho, Wei Li 2019). Such an approach can improve the efficacy and worth of IA, product quality, and customer happiness (Newmark, Dickey et al. 2018, Deloitte 2018). Moreover, agile working supports the IAF to respond in an effective and timely manner to both external and internal developments (KPMG 2019). Both Joshi (2021) and Craze (2022) assert that switching to agile auditing can shorten the audit cycles, adopt a more flexible approach for the specific needs of the IAF, change the mindsets of the IAors, increase audit quality while reducing costs, it involves only relevant and less documentation and improves project visibility and status transparency due to more communication. Although an agile IA can better alter the work of various IAors, there are also challenges in its implementation and operation. For instance, one of the main challenges is that it is difficult to change the mindset of auditors because traditionally they are used to strictly adhering to rulebooks. Additionally, when using an agile approach, internal audit standards and regularity requirements must still be fulfilled (Berger 2020).

MetricStream (2021) also presented a five-step approach to how the IAFs can be more agile during their work:

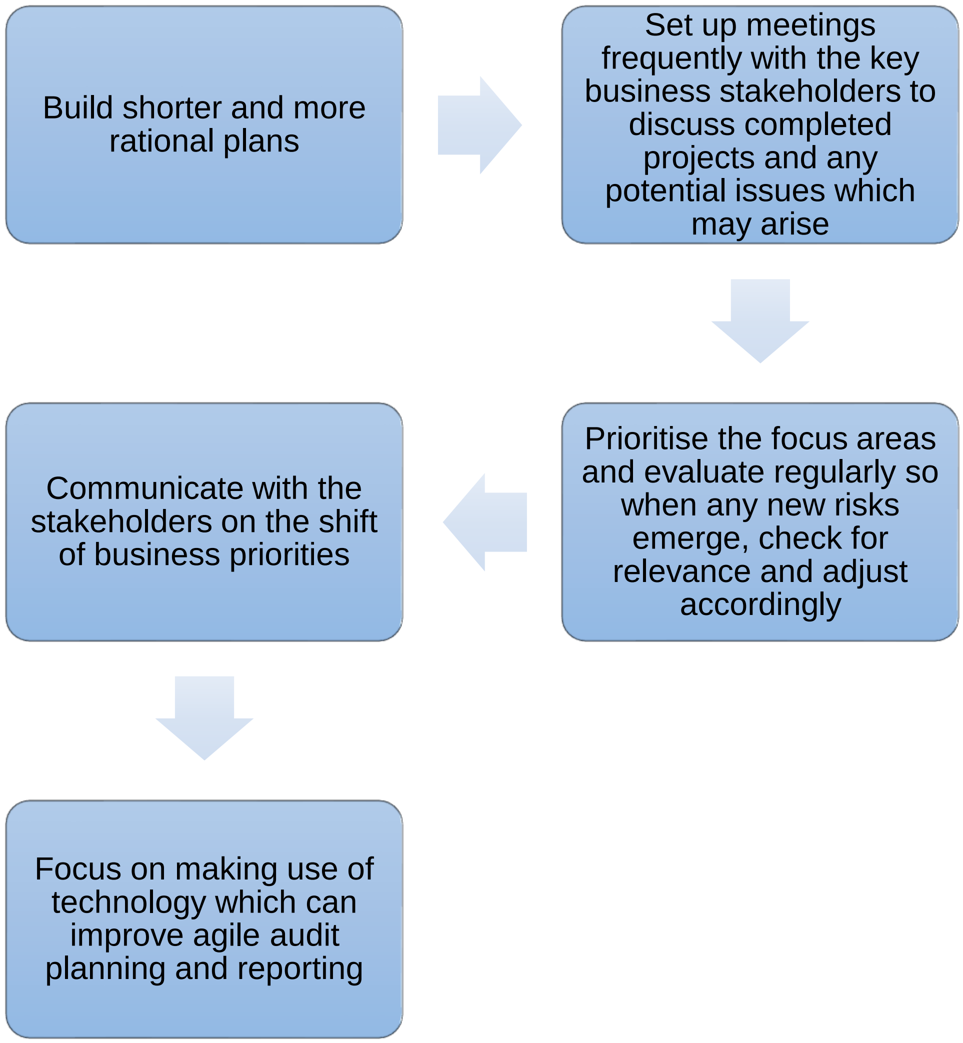


Figure 2.5: Agile Approach (MetricStream 2021).

#### 2.5.1.3 Increase the Use of Information Technology

Technological innovations are transforming all aspects of the business landscape, and this is no different in relation to the profession of the IAors (Deloitte 2019). Going forward, IAors will need to continue to adjust to evolving business models, improve their knowledge of the various digital tools that companies use and be digitally adept. This is because emerging technologies could boost audit quality while also contributing value (Butaka 2022).

*Data Analytics*

Boshuizen and Elder (2015, p.1) define DAs as systems that:

> *"Collect and store vast amounts of data derived from running important business functions, such as managing payroll, paying suppliers, invoicing customers, preparing the financials, paying taxes, and so on. The data contains extremely valuable insights that companies are often unable to tap due to complexity or lack of skills."*

The benefit of such DAs is the key to unlock the additional value. Companies can gain powerful insights of different components in a business and how it operates by deploying advanced technology and statistical methodologies to collect, integrate, analyse, and present data (Boshuizen, Elder 2015). The use of DA can assist IAors in increasing the scope and quality of their work, providing better insights to stakeholders, and improving bottom-line performance and the company's competitive advantage (Austin, Carpenter et al. 2021). To adopt and implement DA software, IAors should be IT savvy and should be able to grasp concepts from basic to advanced DA knowledge, which unfortunately many times, run the risk of misinterpreting or abusing such analytics by IAors (Christ, Eulerich et al. 2021).

*Robotic Process Automation System*

According to Butaka (2022, p.4), robotic process automation (RPA) refers to *"software acting on other software instances to automate predictable and structured data operations."* RPA can save significant time and resources by reducing the need for human intervention, particularly in tasks like data aggregation, continuous control monitoring, and real-time financial fraud detection (Pramod 2022).

RPA enables the IAors to broaden their coverage, by transitioning from simple statistical sampling to full population testing. IAs can make use of this to gather a deeper understanding of the data, proactively identify any hidden issues, and ensure that no risks are omitted. In the meantime, advanced analytics can also reveal new risk patterns, anomalies, gaps in internal control, or opportunities (MetricStream 2021).

#### 2.5.1.4 Embed in Upskilling for IAors

Moving forward, IAors should also encourage themselves to undertake new challenges and incorporate feedback that may lead to implementing more efficient and effective problem-solving strategies and procedures. Furthermore, the IAF shall consider developing a better business perception to help in further development and improvement in the traditional skillsets of the IAors (Hartkopf 2020). Butaka

(2022) argued that the COVID-19 pandemic has compelled organisations to embrace digital technologies even more.

As organisations’ risks become more complex, the IAF had to adapt itself to be able to operate freely in a digital environment and cope with difficult phenomena which may unexpectedly arise. Additionally, having the necessary knowledge in information security, cybersecurity and in BCP is vital for future-ready IAors (Dissanayake 2022). Innovative mindsets, technology savvy, creative problem-solving and good communication skills are crucial when the IAF is in the process of recruiting future professionals within its team (CIIA 2021).

The IAor’s skillsets are imperative as it positions the IA to take on larger, and more complex tasks. In fact, it is essential to properly consider risk through the perspective of IA in the modern business environment, where continuous change pushes organisations to make quick decisions (Global 2021).

## 2.6 Pre and Post Covid-19 Pandemic Risks

### 2.6.1 Prior Pandemic Risks

Traditionally, IAFs have been primarily concerned with compliance and internal control systems (European Confederation of Institutes of Internal Auditing [ECIIA] 2017). Adding value and providing insights into an organisation's key risks has not been a top priority for IAors (Zupan 2020). Therefore, a modern IAF should understand the organisation's key risks and proactively identify emerging ones to add value to the organisation (Zupan 2020). This enables IAors to assist the organisation in allocating resources efficiently, to further develop its strategic role and the development of the annual strategic plan (ECIIA 2019).

A number of risks were identified over time, mainly between 2018 and 2020, and as a result, IAors had to give them high precedence. Such risks consisted of:

- Cybersecurity
- Digitalisation and new technologies
- Effective Talent Management
- Regulatory Change and Complexity
- Sustainability (ECIIA 2017, ECIIA 2018, ECIIA 2019)

### 2.6.2 Future potential risks

During the past years, organisations have been hit by a perfect storm of high risks that have thrown their business into a permanent state of crisis. Following the new and emerging challenges faced by IAF due to the pandemic, IAors need to adapt to this situation and assist their organisations to navigate more risky, uncertain and volatile times ahead (ECIIA 2022). They should be considering the future years rather than what specific risks might surface over the next year or two (ECIIA 2022).

Future risks explored in the European Confederation of Institutes of Internal Auditing (ECIIA 2022):

<u>Cyber and Data Security</u> - Cyber and data security retained its hold as the most persistent threat. It is also an area in which IAors declared that they spent most of their time and effort. IAors anticipate that cyber and data risk will continue to be the top concern for their organisations in the future. Hence, the IAF must ensure to considerably reduce such risk by concentrating on whether the necessary policies have been adopted and enforced locally, ensuring that software updates are issued on time, and constantly monitoring those staff members who have access to systems.

<u>Human Capital</u> - Global talent shortage in the future is projected to worsen, especially for businesses which will look to hire individuals with technical expertise. This is because attracting employees back to the work environment while guaranteeing their psychological well-being has risen up the priority list. IAors are in a good position to assist their firms in differentiating between changes that may merely be cyclical trends and those that may be of significant and long-lasting. They must understand the *"new normal"* for the company and for themselves, which most likely requires reshaping the culture of the organisation.

<u>Macroeconomic and Geopolitical Uncertainty</u> - Many organisations were caught off guard by the conflict that broke out between Russia and Ukraine. Due to this, many IAors argued that the war increased risks related to geopolitical and macroeconomic

unpredictability. It was also pointed out that changes in laws will be the biggest risk in terms of time and effort for their departments. As a result, IAors may need to devote additional time to business continuity, supply chain, and liquidity concerns consequently of dealing with the repercussions. Thus, they must work closely with first and second lines in this crucial area, especially legal, compliance, and risk management to provide an up-to-date risk appetite which provides greater clarity to rapid strategic decision-making in times of crisis.

Digital Disruption and New Technology - The pandemic pushed organisations' digitalisation efforts as they moved staff to work from home. New risks are expected to arise when operations, business processes, and business models are further disrupted by digitalisation. IAors should assist their organisations in this understanding by emphasising the benefits and values that their data assets provide and the dangers that originate with a lack of data focus.

Other risks which were also highlighted in the report published by ECIIA (2022), were risks regarding:

1. Change in laws and regulations;
2. Climate change and environmental sustainability;
3. BCP, crisis management and disasters response;
4. Supply chain; and
5. Financial, liquidity and insolvency risks.

## 2.7 Conclusion

This chapter has evaluated the existing literature on the ever-changing role of the IAF. In particular, it has targeted subject matters such as the role of the IAF, the pandemic's implications on IAors and the way forward of the IAF in what is being referred to as the "*new normal"*. The next chapter will look into the methodology used by the researcher to obtain the local perspective on the subject matter.

# **Chapter 3**
# Research Methodology

## 3.1 Introduction

Chapter 3 provides the reader with an outline of the methods which will be used by the researcher to collect the requisite information to address the objectives of the dissertation highlighted in Section 1.4. An outline of this chapter is illustrated in Figure 3.1.

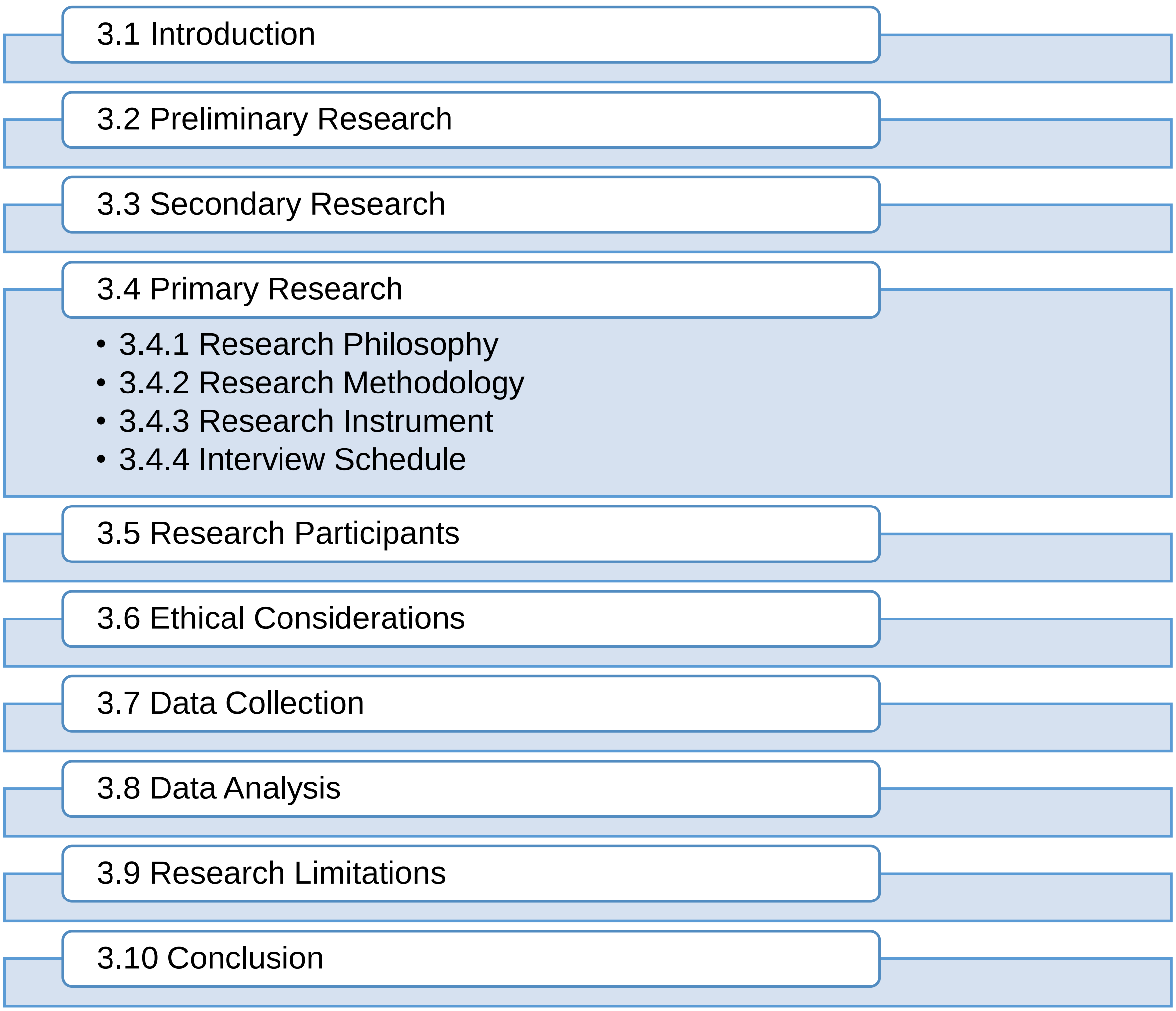


Figure 3.1: Overview of Chapter 3

## 3.2 Preliminary Research

In line with Mccrocklin (2018) who advised that the starting point when doing research is to look into existing research, the available level of information in relation to the study topic was determined after reading through several reliable internet resources, and peer-reviewed articles. In agreement with Mccrocklin (2018), this approach was taken to help the researcher to gain a better understanding of the topic.

The inspiration behind this study also stemmed from the limited amount of domestic literature available on the topic, hence, the need to resort to foreign literature and use such findings as a basis for this study in the local context. After various searches, meetings and discussions with academics, the study idea and objectives were formed.

## 3.3 Secondary Research

Hox and Boeije (2005, p.593) argued that secondary research is, "*the material created by other researchers which is made available for reuse by the general research community*". With the help of secondary research, the researcher intended to start with an extensive review involving sourcing information from reliable articles, websites and journals. This will help the researcher to be more knowledgeable about the subject hence ensuring not only a sounder, holistic understanding of the study but also enabling the formation of relevant and applicable questions.

## 3.4 Primary Research

Primary research is defined as information that is gathered at first-hand (Rabianski 2003). It needs to be conducted to obtain new knowledge within the research area and to allow the researcher to get a better understanding and learn about ideas in a logical manner (Driscoll 2011, Saunders, Lewis et al. 2009). Hence, Singh (2021, p.1) defined research as a "*search for knowledge*". It can be gathered through fieldwork, including case studies and interviews. Selecting the approach how to obtain the data is not a predetermined choice but is highly dependent on the question at hand (Hox, Boeije 2005, Thietart 2001).

### 3.4.1 Research Philosophy

The researcher must determine what research philosophy would be the best to address the objectives of the study. For the purpose of this study, the interpretative paradigm best describes the current study as it seeks to look at the world and try to make sense out of it (Saunders, Lewis et al. 2009). In this study, the researcher's goal is to comprehend what occurs, incorporate richness in the insights gathered and interpret the significance that others place on their life experiences (Alharahsheh, Pius 2020).

### 3.4.2 Research Methodology

There are three main approaches used to conduct research, these being qualitative, quantitative and mixed-method research, each of which has a specific objective to achieve (Williams 2007). The decision on which technique to adopt should be based on the research objectives (Saunders, Lewis et al. 2009).

Qualitative research aims to seek an in-depth understanding to explain a phenomenon profoundly by understanding people's beliefs, experiences and attitudes (Kothari 2004). Hence, this type of research is descriptive in nature and is designed in such a way that data is gathered either through observing the participant in their setting, inquiring directly, or studying various texts (Denzin, Lincoln 2011, Nickerson 2022).

Conversely, quantitative research is a type of research which is appropriate to investigate a phenomenon that can be expressed in terms of quantity by describing aspects across a numeric or statistical approach (Kothari 2004, Williams 2007). Furthermore, mixed-method research is the type of research which combines both qualitative and quantitative research (Saunders, Lewis et al. 2009).

To address the research objectives of this study, the most appropriate research method to be adopted was the qualitative research method, as the aim of the research was not to derive statistical inferences but to obtain an understanding of the subject in a profound manner. Hence, it assisted in gaining more in-depth analysis which may otherwise not be provided through quantitative and mixed-methodology approaches.

Moreover, researchers who make use of qualitative research usually tend to lean more towards the inductive style, since the researcher does not assume or anticipate any particular findings that will emerge. Thus, when researchers adopt an inductive approach, they move from data to theory, or from the specific to the general (Patton 1990).


Figure 3.2: Inductive Style

### 3.4.3 Research Instrument

In such a study, the researcher obtained primary data through the use of semi-structured interviews. This type of research allowed the researcher to interact in a bilateral conversation with different IAors within various MLCs to gather different insights (Driscoll 2011). The interview schedule was developed in a way that the questions asked during the interview will address the main objectives. When structuring the interview questions, the researcher placed additional caution to ensure that a balance is struck between obtaining detailed and extensive answers from the interviewees and making sure that any feedback received in return remains in line with the research's objectives.

When phrasing the interview questions, the researcher ensured that the questions were worded in a way to control and possibly eliminate any bias that may occur. Based on the topic areas that the researcher wanted to cover, the study intended to make use of a different form of questions. The majority of questions were of a probing and open-ended nature, whilst some were close-ended. The close-ended questions followed a "*Likert Scale*" response, where the participants could range their answers on a five-point scale. In line with the findings of Harvey-Jordan and Long (2001), this structure was purposely chosen as it allowed the conversation to flow more freely whilst it provided an opportunity for various themes to be developed further.

In accordance with the findings of Saunders, Lewis et al. (2009), by using a number of probing and open-ended questions, the participants were allowed to delve deeper during the interview by providing their in-depth personal experiences. Through this research method and in agreement with Brosy, Bangerter et al. (2020), the researcher was in a better position to build a better understanding and identify particular areas within the study which would likely benefit from further research

### 3.4.4 Interview Schedule

The interview schedule was mainly divided into four sections. The first column establishes how each section and question in the interview were structured. The second and third columns include the section title and the information anticipated to be collected, respectively, while the fourth column looks at the objective being addressed through the questions asked.

| Section | Title of the section | Outcome | Objective |
|---|---|---|---|
| Section 1 (Q1-Q2) | Introductory Questions | This section discusses the IAor's duration of experience within the company and the importance of having an IAF. | General Information |
| Section 2 (Q3-Q6) | The Role of the IAF | This section deals with the change in the role of the IAF throughout the years and during the pandemic. | Objective 1 |
| Section 3 (Q7 – Q15) | The COVID-19 Pandemic and its Effects on the IAF | This section tackles the main challenges faced by the IAF during the pandemic and the recommendations made. | Objective 2 |
| Section 4 (Q16 – Q23) | Building the IAF of the Future | This section aims to identify the way forward that the IAF should seek in the new normal and how they should prepare in the event of uncertain future events. | Objective 3 |

Table 3.1: The Interview Schedule Structure

## 3.5 Research Participants

An important feature in any research design is choosing the appropriate sampling technique as this assists the researcher on who the target population would be made of. Therefore, the study intended to focus on conducting a non-probability purposive sampling. Under this method, a sample of participants is chosen based on a qualifying criterion and for this reason, this study is aimed to target specific employees i.e., IAors. Moreover, this type of sample enabled the researcher to identify and select those participants, who are well-knowledgeable about the subject (Etikan, Musa et al. 2016, Tongco 2007).

To date, there is no available list, which identifies those organisations with an IAF. As a result of this, various emails were sent out to MLCs obtained through the Malta Stock Exchange website, to confirm whether or not an IAF was established within the organisation. This list was considered since an IAF is considered as a best practice to have in MLCs[2]. Moreover, reference was also made by looking at past dissertations conducted by both Borg (2018) and Mignon (2018), where a list was obtained illustrating those MLC having an IAF in place[3]. Table 3.2 shows the position of the participants interviewed in this research and their respective codes for ease of reference.

[2] Vide Appendix 2 - List of Maltese Listed Entities
[3] Vide Appendix 3 - List of Companies with an IAF

| MLC | Position | Interviewees' Code |
|---|---|---|
| Company 1 | Internal Auditor | IAor 1 |
| Company 2 | Internal Auditor | IAor 2 |
| Company 3 | Internal Auditor | IAor 3 |
| Company 4 | Internal Auditor | IAor 4 |
| Company 5 | Internal Auditor | IAor 5 |
| Company 6 | Internal Auditor | IAor 6 |
| Company 7 | Internal Auditor | IAor 7 |
| Company 8 | Internal Auditor | IAor 8 |
| Company 9 | Internal Auditor | IAor 9 |
| Company 10 | Internal Auditor | IAor 10 |
| Company 11 | Internal Auditor | IAor 11 |
| Company 12 | Internal Auditor | IAor 12 |
| Company 13 | Internal Auditor | IAor 13 |
| Company 14 | Internal Auditor | IAor 14 |

Table 3.2: The Interviewees' Position and Codes

## 3.6 Ethical Considerations

Silverman (2010) argued that if the researcher does not exercise caution when carrying out research of a qualitative nature, several ethical issues may arise. The FREC at the University of Malta issued a list of ethical standards which must be adhered to. At the proposal phase, a letter of introduction was sent to potential interviewees asking them whether they will be willing to participate in the study.

Before the data collection began, an application form and all the necessary attachments were to be sent to the FREC for examination and final acceptance. Moreover, before conducting the interview, a form was presented to the participants for them to sign, to ensure that consent is given and that any information which will be obtained from the interviews will be used in a confidential manner and for the sole purpose of the study.

The form also highlighted that the participants could abandon the study at any stage and that their participation was completely voluntary. The participants were reassured that any details which would make them identifiable in any manner would be completely excluded from the research to make sure that these remain anonymous. Any recordings or data obtained from the study will be retained and stored carefully by the researcher.

## 3.7 Data Collection

An introductory email was sent to the targeted participants. After confirmations were received, the consent forms were sent to the participants for them to sign before the interviews and then sent back to the interviewer, permitting the researcher to make use of the information obtained from the interview. Interview schedules[4] were forwarded to the participants beforehand, for them to go through the questions. The date and timing of the interviews were set at the convenience of the participants.

A total of fourteen interviews were conducted with IAors. The interviews were mostly held between November and December; however, some interviews were conducted afterwards. The researcher did not predetermine the number of interviews to be conducted however, this was decided once data saturation was reached and the data, which was collected, was deemed suitable.

The interviewees were given an option of whether they preferred the interview to be held online or in person. Although, an in person interview is ideal, as it allows the researcher to interpret the interviewee's behaviours and correlate them with the sort of response given, the majority of the interviews were held online and platforms such as “Zoom” and “Teams” were used. Those interviews, which were held in person, were held at the premises of the respective organisation.

To assist in the evaluation of the data, the majority of the interviews were audio recorded. Before recording the interviews, consent was obtained from the participants. Apart from that, sufficient notes were written down during the interview itself. The researcher assured that anonymity is kept for both the participant and the company involved. Despite such assurance, one interviewee did not give consent

[4] Vide Appendix 4 – Interview Schedule

to be recorded, and detailed notes had to be taken throughout the interview. The majority of the interviews lasted between 30 to 45 minutes.

## 3.8 Data Analysis

Once all interviews were conducted with various IAors and all data was collected, the process of transcribing took place to retain all the data. During the transcribing process, all participants were assigned a particular distinctive codes[5] to guarantee anonymity and the researcher ensured to focus on significant and relevant information. When the data was all transcribed, coding took place to analyse the data separately and evaluate whether the data converge or diverge.

This type of data exploration is referred to as thematic analysis (Crosley, 2021). Such analysis places a strong emphasis on identifying, examining, and understanding significant patterns in qualitative data (Crosley, 2021). By adopting this type of analysis, themes in line with the research objectives were identified which assisted the researcher to link common themes and differentiating other contrasting ones. When asking the questions, the researcher ensured that the questions asked were understood and correctly responded.

[5] Vide Table 3.2 - The Interviewees' Position and Codes

## 3.9 Research Limitations

No research comes without its limitations and some of the limitations of this study will be discussed in this section. One of the main limitations that such a study has faced was the use of open-ended questions. Even though such type of question format may lead the interviewee to express him/herself more freely, the use of open-ended questions in such research led the interviewee to come up with new ideas which lead to variation in the responses. This resulted in making the study's analysis more complex.

Another limitation relates to the limited time allowed and the mandatory world limit. As a sole researcher, one cannot go into much depth when analysing the information. Moreover, such analyses had to be reduced to what the researcher considered was the most important.

Finally, since the majority of the interviews were carried out online, the interaction was not the same as when compared to an in-person interview, and this could minimise the consistency of the participant’s responses.

## 3.10 Conclusion

This chapter has supported the reasoning behind the methodology chosen by the researcher during the study. It has also highlighted the limitations and the ethical considerations which the researcher must consider in the process of data gathering. The following chapter of the study will proceed to examine the findings attained and also discuss any similarities or conflicts with the information acquired from the literature review in Chapter 2.

# Chapter 4

# Findings and Discussion of the Findings

## 4.1 Introduction

The main objective of this chapter is to examine the findings obtained from the fourteen semi-structured interviews, which were conducted with various IA departments within MLC and to discuss the findings gathered.

This chapter is summarised into a number of sub-sections, which are in line with the interview questions[6], as shown in Figure 4.1 overleaf.

[6] Vide Appendix 4 – Interview Schedule

- 4.1 Introduction
- 4.2 Background Information on the Intervewiees
  - 4.2.1 Duration of Experience within the IAing Field
  - 4.2.2 The Significance of Having an IAF within the Organisation
- 4.3 The Role of the IAF
  - 4.3.1 The Roles and Responsibilities within the IAF
  - 4.3.2 The Evolving Role of the IAF throughout the Years
  - 4.3.3 The Role and Responsibilities of the IAor during the Pandemic
- 4.4 The IAF and the Pandemic
  - 4.4.1 The Challenges Encountered by the IAor prior COVID-19
  - 4.4.2 The Changes in the IAF
    - 4.4.2.1 Disruptions in the IA Process and Procedures
    - 4.4.2.2 Adjusting to Remote Working
    - 4.4.2.3 Increase in Cybersecurity Risk
    - 4.4.2.4 Fraudulent Activities
    - 4.4.2.5 Business Continuity Plan
- 4.5 The Future of the IAF - The Way Forward
  - 4.5.1 Adopting New Working Practices
  - 4.5.2 Remote Working as the 'New Normal'
  - 4.5.3 The Use of Agile Working Methods
  - 4.5.4 The Adoption of DA and RPA
  - 4.5.5 The Importance of Staff Training and Development
  - 4.5.6 Importance in IAor's Skills
  - 4.5.7 Potential Future Risks in the Post COVID-19 World
- 4.6 Conclusion

Figure 4.1: Overview of Chapter 4

## 4.2 Background Information about the Interviewees

The initial part of the semi-structured interview focused on collecting personal information on the interviewees, including their length of experience in the field. Such data was essential for gaining more insight into the purpose of the interview. This section is concluded with a discussion about the significance of having an IAF within the organisation.

### 4.2.1 Duration of Experience within the IAing Field

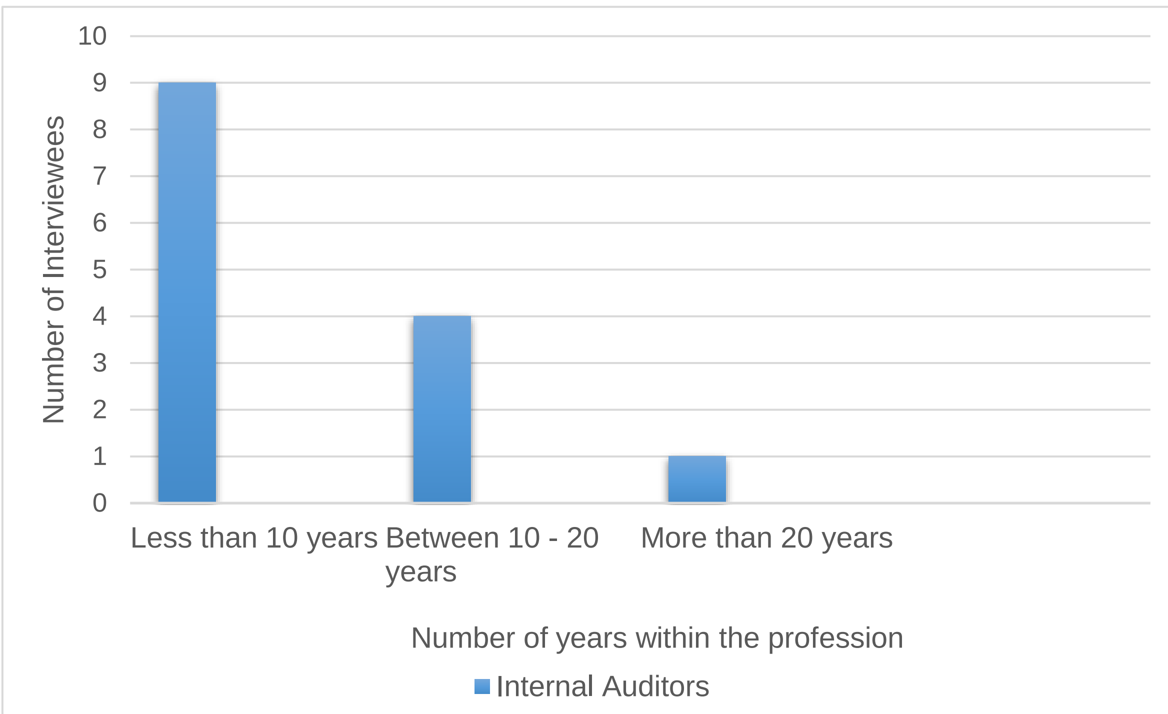


Figure 4.2: Duration of Experience within the IAing Field

Figure 4.2 illustrates that the majority of the interviewees (9/14) worked as IAors for less than 10 years, while only one interviewee (1/14) had over 20 years of experience. The range of experience levels allowed the researcher to gain a better understanding from the interviewees, particularly those with more than 10 years of experience, about how the IA profession has evolved and how it has been impacted by the pandemic.

### 4.2.2 The Significance of Having an IAF within the Organisation

This section assesses the viewpoints of the interviewees regarding the necessity of an IAF within an organisation. Having an IAF is not a mandatory requirement for MLC. However, as explained by Baldacchino, Tabone et al. (2021), having an IAF is considered as a best practice and locally, what is required to have in place is an AC.

Although each interviewee expressed their distinctive perspective on the significance of an IAF within an organisation, a consensus was reached that an IAF helps organisations to grow and to achieve their overall objectives by providing independent assurance to both management and to the board. These findings were in line with both Spiteri's (2020) findings in Section 1.2.2, who argued that an IAF will help an organisation to expand and grow and Lalkhen's (2018) findings, who noted that having an IAF in an organisation, will help management in identifying any possible weaknesses, determining any possible risks and make improvements where necessary.

Most interviewees (12/14) stressed that an IAF plays a vital role in verifying the effectiveness and efficiency of the controls to help the company achieve its overall objectives, to suggest ways to improve these controls and to recommend changes to enhance the company's operations. Ultimately, an IAF is significant to ensure that existing internal controls are sufficient and consistent with the documented policies and procedures to alleviate high-risk areas, which are identified by management. Additionally, according to the respondents, an IAF is also critical in enabling IAors to concentrate on areas which are of strategic importance, and which impose higher risks to the organisation. Three respondents (3/14) also underlined that an IAF is essential in fulfilling the governance function within an organisation.

The statements provided by the interviewees correspond with the definition provided by the CIIA (2022) in Section 1.2.2 that is:

> *"The internal audit function must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes."*

In line with Standard 2100[7], which provides a better understanding of the concepts of Governance, Risk Management and Control, the majority of the interviewees (11/14) acknowledged the fact that an IAF is imperative within an organisation to assist the organisation in maintaining an effective control system, to evaluate the effectiveness and contribute to the improvements of high-risk areas and to make recommendations to improve the organisation's governance processes.

[7] Vide Appendix 1 - International Standards for the Professional Practice of IAing

## 4.3 The Role of the IAF (Objective 1)

Section 4.3 tackles the first objective of the study, where it provides a discussion on the IAor's specific roles and responsibilities, changes in the IAF's role over time and during the pandemic.

### 4.3.1 The Roles and Responsibilities within the IAF

The majority of the participants (10/14) indicated that the primary responsibility of IAors is to develop and implement audit plans and strategies. In addition, some of the respondents (6/14) also mentioned that they have a more managerial role and that they are responsible for overseeing their departments, assigning audits to their subordinates, reviewing audits, conducting investigations and follow-ups on findings and making recommendations. As a result, the findings of both Pickett (2020) and Clarke (2022), were supported by the interviewees. This is because as explained in Section 2.4.1.1, an important responsibility that every IAor holds is that of abiding with an IAing process to get audits completed. The process usually starts with a plan, followed up with fieldwork procedures, where IAors examine and perform various tasks. The results obtained, are given in a formal report following the completion of the examination by the IAor. The audit report outlines the audit's methodology, findings, and if necessary changes that could be made. If adjustments are recommended, IAors may be required to carry out a follow-up audit to evaluate how successfully the recommendations have been made.

A single respondent (1/14) pointed out that while they personally perform some audit tasks, follow-ups, and investigations, there are situations where the organisation needs to collaborate with external sources to complete certain audit duties. As discussed in Section 1.2.2, Ahlawat and Lowe (2004) stated that there are organisations who decide to either completely outsource their IA, provide the service internally or else use a combination of both internally and externally.

Additionally, it was emphasised that IAors report to an internal body within the organisation, with most stating that they report directly to the AC during committee meetings. By reporting to the AC, it ensures that the IAF is independent of management and has the necessary resources and support to carry out its responsibilities effectively. As explained by the IIA (2019) in Section 1.2.3, there needs to be a solid relationship between both the IAF and the AC. This is because as illustrated by IIA (2019), having a good relationship between the IAF and the AC would be important for both parties to fulfil their duties.

### 4.3.2 The Evolving Role of the IAF throughout the Years

During the semi-structured interviews, the fourth question presented to the participants inquired whether they consider that the role of the IAF has evolved across the years. All of the participants (14/14) agreed that the role of the IAF has shifted from a policing role to a more consultative and advisory one. The participants also emphasised that modern IAFs are increasingly involved in a more consulting capacity by providing assurance and putting forward recommendations.

This is in line with Morgan (1980), where he argued that in the past, the role of the IAF was more seen as a policing and watchdog role and was more recognised in the control procedures of an organisation rather than for reaching the company's objectives. He further argued that such role was important for investigating and ensuring that the processes are in accordance with the organisation's policies, and if something goes wrong, the IAF would inform and discuss with management or whoever is responsible.

In agreement with Ramamoorthi (2003), the participants also stated that over time, the role of the IAF shifted to a more "*consultancy*" and "*value-adding role*". Moreover, in line with both Bou-Raad (2000) and Zammit (2008), the participants justified that the work of IA shifted to a more proactive approach so that the primary goal would be to enhance internal controls, governance, and risk management to preserve the value of stakeholders, and management.

In supporting this, one of these participants (1/14) expressed that:

> *"Yes, I believe that as many companies evolved, the IAF's role altered. It became more diversified and proactive rather than reactive. Moreover, in today's world the IAF's primary focus is on how it can support the Audit Committee, Board of Directors, and Stakeholders of the company, while adding value that of providing an impartial evaluation of the company's procedures and operations"* (IAor 3).

### 4.3.3 The Role and Responsibilities of the IAor during the Pandemic

According to the findings, half of the interviewees (7/14) believed that their role and responsibilities as an IAor became more significant during the pandemic period.

They contended that in these unprecedented times, when organisations, management, and the board of directors were experiencing significant changes, they relied on IAors to assess the effectiveness, efficiency, and safety of such changes. They went on to say that what had changed as well was their mindset towards work and how they had to approach work. As mentioned in Section 2.3 by Barac, Plant et al., (2021) as risks increased in many organisations, the IAF has been asked to deliver a wide range of services on short notice.

The expanded role of the IAF reflects the changing expectations placed on IAFs, and the increasing importance of risk management and strategic decision-making in today's business environment. By providing a broader range of services, IAFs assisted organisations to stay ahead of emerging risks and drive business value. Some of the participants, in line with both Deloitte (2020) and Bhakta, Madenburg (2020), further explained that some of the responsibilities which were entrusted to them were to guarantee the safety of all business personnel and to analyse and evaluate in more detail the operational impacts that the organisations was facing due to such uncertainties.

Furthermore, one of these participants (1/7) also noted how during the pandemic, management came to realise the importance of staying accustomed to emerging risks, implementing necessary controls, and having an IAF that prioritises high-risk areas.

Contrary to the claims of Barac, Plant et al. (2021), the other half of participants (7/14) expressed a dissenting view, stating that their role and responsibilities did not receive any additional importance and remained largely unchanged compared to the situation prior to the pandemic and the expectation was still for them to perform their day-to-day role.

Moreover, all of the interviewees (14/14) agreed that the way that they had to approach work had changed drastically. As a matter of fact, all of the interviewees (14/14) corresponded with what the IAASB (2020) portrayed, that under such unpleasant circumstances, the IAors had to consider alternative processes and procedures and abide with newly revised published standards and guidelines to collect the appropriate and adequate information needed to form and issue an audit opinion.

The participants were further asked whether they felt that they had to revaluate their roles and responsibilities. Half of the participants (7/14) further explained that during the pandemic, they felt that they had to revaluate their roles and responsibilities by being more alert to the work that was being provided to them since the nature of how work was being conducted changed. This was through assisting organisations achieve their objectives and ensuring that assistance is provided in every organisation's department and process and by being attuned to new emerging risks. One of these particular participants (1/7) stated that during the pandemic, they had to revisit their role and responsibility and step back from what is known as day-to-day duty:

> *"During the pandemic, we had to revisit our roles and responsibilities and we had to step back from carrying out audits. Moreover, we tried to assist more from the advisory side"* (IAor 12).

In line with the findings of Barac, Plant et al., (2021) and Global (2021), the participants agreed that during the pandemic, they had to revisit their roles within the organisation, to remain alert, to keep up with the newest developments, to assist the organisation reach its objectives and to assist the company for foreseeable uncertainties.

The remaining participants (7/14) felt that despite such unprecedented times, they did not need to revaluate their roles and responsibilities as they argued that these remained the same, as they were before the pandemic.

## 4.4 The IAF and the Pandemic (Objective 2)

In Section 4.4, the second aim of the research is addressed through a discourse on the hazards encountered by the IAF before the pandemic and the difficulties that arose during the pandemic and whether any actions were taken to reduce such difficulties.

### 4.4.1 The Challenges Encountered by the IAF prior COVID-19

In the next question, participants were asked about their views on whether the IAF faced any risks prior to the COVID-19 pandemic. Most of the participants (13/14) agreed that the IAF did face certain risks before the pandemic. The findings that were obtained from the ECIIA reports 2017 – 2019, were supported by the majority of the interviewees (13/14) who stated that before the outbreak of the pandemic, the IAF experienced a number of challenges such as the risks related to staffing, technology, compliance and cybersecurity.

Amongst these risks, a common concern which was brought up by some of these participants (7/13) was the shortage of talented and skilled employees. They advised that this could be due to the IAF being a relatively small department when compared to other departments within an organisation, making it difficult to find, recruit, retain, motivate, and develop the right individuals to help the IAF achieve its goals. One of these participants (1/7) emphasised that such risk could persist and increase even after the pandemic is over.

Six interviewees (6/13) talked about the risk of cybersecurity. One of these participants (1/6) elaborated that such risk was considered to be relatively low prior to the pandemic but has since increased significantly in prominence. Participants emphasised the need for both organisations and their IAFs to be aware of the evolving and complex factors that give rise to cybersecurity risks. The organisations suggested that IAors should ensure that cybersecurity risks are managed to the same standards both internally and externally, and that the IAF should have proper processes and procedures in place to be able to address these risks.

Other risks, which were mentioned by the participants, were the risks related to digitisation, operational, business and risks relating to regulatory requirements. The data gathered with regards to the risk of digitalisation was also consistent with the literature put forward by Martinelli, Friedman et al. (2020) and by Serag and Daoud (2021), as they both argued that the IAF throughout the years have experienced the risk of digitalisation especially since they had to adapt to new operations as a result of digital transformations and other new technologies being implemented.

One participant (1/14) pointed out that in his personal view, the IAF was not faced by any kind of risks before the outbreak of the pandemic and such finding contradicted the findings which were obtained from the ECIIA reports.

#### 4.4.2 The Changes in the IAF

All participants (14/14) were in agreement with Kapoor and Brozetti (2012) and Zammit (2008), that the IAors have always been prone to challenges. Furthermore, they further added that the outbreak of the pandemic created a number of unforeseen obstacles for the IAF.

In support of the findings presented by Martinelli, Friedman et al. (2020), the participants explained that the IAFs had to adjust and conform to the circumstances to operate and provide services to the organisation. Moreover, the pandemic forced them to rethink their priorities to react to the virus's resiliency issues. Moreover, the primary challenges faced by IAors included disruptions in IA work, transitioning to remote work, and issues related to cybersecurity, fraudulent activities, and interruptions in the BCPs.

#### 4.4.2.1 Disruptions in the IA Process and Procedures

The majority of participants (11/14) mentioned that the manner in which planned audit work was performed underwent significant changes. Several modifications and adaptations had to be implemented. Cudlip (2020) asserted that due to the outbreak of the pandemic, the IAF could not merely continue to deliver using its current plans and processes.

These participants had to postpone, delay, or even halt audits for a certain period due to various reasons, as stated by the majority. Such data gathered was in line with literature put forward by KPMG (2020) and with the study conducted by Ambühl (2020), in which she stated that in her study conducted in Switzerland, there were a number of respondents who had to either postpone, cancel, or even delay their audits.

Specifically, one of these participants (1/11) stated that conventional procedures, such as observations, had to be modified:

> *"During the pandemic, because of strict rules we stopped certain activities or paused for a certain period. It was a period where we had to look back and reassess our processes such as obtaining more evidence. Sometimes, delays even took place. For instance, once the key auditee was away and we couldn't even connect remotely, therefore deadlines for some audits were postponed"* (IAor 12).

Moreover, participants who reported changes in the audit process were asked to discuss the challenges encountered. The interviewees highlighted several issues when questioned about the difficulties. According to their responses, meetings had to be conducted online, typically through online platforms such as *“Zoom”* or “*Teams*”. In line with the findings obtained from the CIIA (2022), changes in the way the process of the audit was being carried out presented a number of challenges such as the interaction between the auditor and the auditee was not as robust as it was before the pandemic. Additionally, since meetings were conducted virtually, some participants noted that auditees did not turn on their cameras, which further compounded the issue as participants were unable to observe the auditee's body language and gestures, making it difficult to determine the authenticity of their responses.

Approximately six of these participants (6/11) supported the idea of Beale (2021) as they additionally mentioned that they faced other challenges such as not being able to conduct on-site validation. They stated that normal audit procedures like observations and random inspections were not possible due to the pandemic. Consequently, audit plans had to be postponed several times, prolonging the audit process. Additionally, participants further mentioned that auditees were slow to respond and confirm audit findings, taking around three to four weeks to reply. This delay disrupted audit planning and extended the duration of the audit.

In her findings, Ambuhl (2020) further stated that although the pandemic has introduced many consequences, it is surprising how it has been a catalyst for ground-breaking ideas and the creation of new business models. Supporting this, the participants also noted that despite the aforementioned challenges, there were some benefits with the way the audit process was being carried out, such as the advantage of conducting meetings online. They explained that online meetings could be easily recorded for future reference, which facilitated the work of the IAor. This allowed any issues or misunderstandings that arose during the audit to be addressed promptly.

Three of the participants (3/14) expressed that the planned audit work prior to the pandemic continued in the same way without any further adjustments or changes.

#### 4.4.2.2 Adjusting to Remote Working

Most of the participants (12/14) acknowledged that they had to adapt to remote working during the pandemic to carry out their daily responsibilities. Such findings support the idea of Florea and Florea (2021), as it was argued that due to the pandemic many organisations shifted to work remotely to secure the health of their employees and to continue in operation. Although the remaining participants (2/14) did not completely support the idea brought forward by Florea and Florea (2021) and adopted a FWA in their companies, they mentioned that while they did not completely transition to remote working, certain elements such as online meetings with auditees were still implemented within the IAF.

The interviewees were also asked to provide insights on the benefits and drawbacks of shifting to remote working. The participants reported that remote working had increased their productivity, as it allowed them to work flexible hours. They also pointed out that it saved time that would have otherwise been spent commuting, improved work-life balance, reduced stress levels and increased convenience as setting up online meetings with auditees and reviewing documents were found to be more efficient and effective. The benefits of remote working mentioned by the participants were aligned with the findings in studies mentioned by Cattell (2004), PwC (2020) and the IIA (2020b).

During the interview, the researcher highlighted some major drawbacks associated with remote working, namely isolation, poor mental health, lack of supervision and segregation of duties. While the majority of the participants (12/14) agreed with the drawbacks put forward by IIA (2020b), PwC (2020) and CIIA (2020), to counter this, they also mentioned that the necessary training was provided to prevent these issues from developing within the IAF. As a result, strengthening further this argument, some of the interviewees were aware of how to keep their staff engaged, implement necessary controls, and hold virtual meetings with their team on a regular basis to share their experiences and thoughts. The remaining participants (2/14) acknowledged the possibility of these drawbacks but did not experience them within their IAF as they did not completely shift to remote working.

In addition to the drawbacks mentioned by the researchers, drawing from experience during the pandemic, participants also identified other significant difficulties as a result of shifting to remote working. These included the absence of teamwork, cybersecurity issues, and lack of human interaction. Seven participants (7/14) highlighted that remote working posed challenges for new joiners in the IAF. They specifically mentioned that new joiners struggled to interact and integrate with the existing staff while working remotely. Additionally, the IAF may need to revaluate their onboarding and training processes to ensure that new joiners are able to effectively integrate with the team, even when working remotely. All in all, to maximise the benefits of remote working while minimising the drawbacks, the IAF may need to adopt a flexible and adaptive approach that takes into account the unique need of its employees.

The participants were asked to share their observations on employee perceptions regarding the introduction of remote working. The majority of interviewees (12/14) reported that they received varied feedback from employees, including both positive and negative perceptions. In fact, PwC (2020) carried out a study locally to understand its employees' perspectives with regard to remote working. From this study, it was concluded that half of the respondents agreed that splitting their time between working online and working from the office was the best option. Some participants stated they prefer to work solely from the office while other respondents mentioned that they abided to work from home during the pandemic and would like to continue to do so even after the pandemic.

Supporting PwC (2020), one participant (1/12) specifically disclosed that:

> *"I think that different employees have different perspectives on how they perceive remote working. In our case, some employees who had young children, they preferred to work from home especially when schools closed down, while others prefer to work both from home as well as from the office. However, there were certain employees who after months of working from home, wanted to come and operate from the office again"* (IAor 6).

#### 4.4.2.3 Increase in Cybersecurity Risk

All of the participants (14/14) concurred with the findings brought forward by Pranggono and Arabo (2021) that the shift to remote working made their organisations more prone to cyberattacks and increased risks to internal data. They further argued that many IAFs rushed into remote working without taking the necessary precautions to ensure that the transition was secure. Such findings were in line with the literature brought forward by Dissanayake (2022), where it was stated that many IAFs had to quickly and extensively adjust to remote working to continue carrying out their daily activity.

In line with what Uberti (2020) outlined with regard to being dependent more on personal home / private networks, the participants also noted that due to remote working, they relied more on personal devices and wireless/home connections, which can make them vulnerable to scams and phishing attacks, which in accordance to Alshamrani, Myneni et al. (2019), those were the main type of cyberattacks that most organisation has undergone during the pandemic. As a result of this, cybersecurity has become a serious problem.

The participants were also asked about the precautions they took to enhance security in their processes amidst the challenges posed by remote working. The findings of Cudlip (2020) and Serag and Daud (2021) in Section 2.4.1.3, were supported by all of the fourteen participants (14/14) who further illustrated that during such unprecedented times, they made sure to decrease the threat of cybersecurity by implementing precautions, with the most common being the provision of appropriate training and education to all IAF personnel. In fact, one participant (1/14) stated that:

> *“In my opinion working from home created cyber risks however by implementing the appropriate training and education, we tried to handle those risks from not happening”* (IAor 11).

In line with the literature provided by both Cudlip (2020) and Serag and Daud (2021), the participants also mentioned other precautions that were taken to increase security. These included implementing more testing, assessing the effectiveness of controls in place, adopting new systems such as *“automatically reporting systems*” to report unfamiliar emails, implementing third-party security plans to respond to cybersecurity risks and shifting to the cloud. These measures are all important for organisations looking to improve their security posture and protect against cyber risks. By implementing a comprehensive approach that includes a range of security measures, organisations can better safeguard their sensitive data and systems from attack.

#### 4.4.2.4 Fraudulent Activities

As per the explanation provided by three interviewees (3/14), for fraudulent activity to occur, there must be a motive, opportunity, and rationalisation. The explanation provided by these interviewees aligned with the findings brought forward by both Thorps (2020) and Weitz (2022) in Section 2.4.1.4, in which they both referred to the three elements of the fraud triangle, being motive, opportunity and rationalisation.

Supporting the research conducted by Kagias, Cheliatsidou et al. (2022), all interviewees (14/14) agreed that unfortunately, the pandemic provided an opportunity for fraudulent actions to take place, particularly since many employees were working remotely, which was seen as a window of opportunity. This is because as explained by CIIA (2022), remote working can make it more difficult for the IAF to monitor their employees' activities, which may provide an opportunity for fraudulent actions to take place.

A portion of the participants (5/14) held the view that fraudulent behaviour may occur irrespective of whether it is linked to the pandemic or not. These participants also stated that they collaborated with their organisations to prevent such activities from occurring. One of these participants (1/5) elaborated on this point:

> *"As an internal auditor of the company, I make sure to investigate the case as soon as it arises. I look into the information that I gathered and take action from that moment onwards"* (IAor 7).

The interviewees were asked about the measures taken by the IAF to minimise fraudulent activities during the pandemic. Several strategies were brought up by the participants. Some participants acknowledged that they conducted more frequent fraud audits during this time, with a particular focus on high-risk audits. They also reviewed fraud policies and procedures to ensure that appropriate controls were in place and functioning efficiently and embed fraud risk mitigation in their controls and procedures.

This reflects the statement put forward by the head of the IAF of St. John Ambulance who participated in a study conducted by CIIA (2022), who stated that the IAF need to consider their temporary control put in place during the pandemic to be made permanent. With remote working and other pandemic-related changes likely to become a more permanent feature of the business landscape, organisations need to embed fraud risk mitigation into their processes and controls to help protect themselves and their stakeholders. In line with Weitz's (2022) findings, a thorough evaluation of the procedures and controls currently in place can help to pinpoint any areas where more controls may be required. This could entail putting new technologies into place such as the use of DA, like software for scam detection and prevention, or strengthening current controls, like background checks.

One participant (1/14) emphasised the importance of reflecting on the actions taken by the IAF and management in response to identified fraudulent activities for future reference. IAor 8 provided an additional explanation on this point:

> *"After a fraud has been investigated and communicated, it is important for management and IA to step back and consider the lessons learned and to determine: What controls were overridden? Why wasn't the fraud detected earlier? What red flags were missed by management? What red flags did the internal audit miss? How can future frauds be prevented or more easily detected? What controls need strengthening? What internal audit plans and audit steps need to be enhanced and what additional training is needed?"*

Wood and Chambers (2002) asserted that considering the problems and ambiguity the pandemic brought about, not all the IAFs experienced fraudulent activities or faced attempts at fraudulent actions. All interviewees (14/14) agreed with the findings of Wood and Chambers (2022), as they explained that although they agree with the fact that shifting to remote working, this has created a higher risk environment for fraudulent activities to take place, it was clearly stated that none of the interviewees experienced any fraudulent activities during the period of the pandemic.

#### 4.4.2.5 Business Continuity Plan

Deloitte (2022) in Section 2.4.1.5, recognised that a BCM anticipates potential crises or risks that might hinder an organisation's ability to accomplish its objectives such as cyber, employee, business and operational risks and that it is very important for an organisation to have a BCP in place. The interviewees unanimously (14/14) agreed that such statement is true with regards to the significance of having a BCP in place for an organisation, as it helps in preparing for and mitigating risks.

They also emphasised the need for the BCP to cover all critical areas of the organisation. In addition, three out of fourteen (3/14) participants suggested that regular testing of the BCP is crucial for its success and to ensure that it reflects any changes in each department. One of these interviewees (1/3) elaborated on this point by stated that:

> *"After the disruptions caused by the pandemic, many organisations appreciated the need to have a business continuity plan in place as it helps them to survive serious disruption and provides clarity to employees as to what everyone should do in the changed circumstances to minimise business interruption as much as possible"* (IAor 8).

Two participants (2/14) noted that their organisation uses two types of BCPs: one for employees and another for the system used to operate the organisation's facilities. Four of the interviewees (4/14) pointed out that having a BCP plan is expensive and requires a significant amount of work. Such findings supported the idea of Doughty (2000) who stated that while a BCP can provide significant benefits in terms of mitigating risks, it is true that some organisations have perceived it as time-consuming and costly. The fact that a BCP demands a substantial amount of time and effort to create and execute an all-inclusive plan could be one factor contributing to this perception, especially when it is a large organisation. Larger organisations, more often than not, require a more extensive BCP than smaller organisations.

Organisations and the IAF must identify possible weaknesses, analyse their crucial business processes and systems, and create plans for dealing with various situations. Nonetheless, during uncertain times, such as the pandemic, having a BCP can be crucial for the survival of an organisation.

According to Serag and Daoud (2021), those organisations which struggled to handle the unanticipated challenges that were faced during the pandemic resulted from the consequences of giving a BCP insufficient attention. This can be seen as being supported by the findings obtained by most of the interviewees (10/14) who agreed that organisations and IAFs that did not prioritise the importance of having a BCP in place suffered during the pandemic. However, the remaining participants (4/14) contradicted the study of Serag and Daoud (2021), as they argued that even those organisations with a BCP in place still suffered because the pandemic was not anticipated in any BCP.

In conclusion to this, as indicated by both Dissanayake (2022) and Global (2021), given that IAors are well-positioned to make significant contributions regarding an organisation's BCP, they will need to continue to adapt to the changing business environment and remain vigilant in identifying and managing risks associated with the pandemic.

## 4.5 The Future of the IAF – The Way Forward (Objective 3)

To tackle the third objective of the dissertation, as outlined in Section 1.4, this section presents the results from the interviews concerning the future of the IAF within the organisation. Additionally, it offers suggestions and recommendations for constructing an improved IAF to prepare for unforeseen future events.

Given all the unprecedented changes, the interviewees were asked to discuss how they think they can continue to be proactive in assisting organisations in the future. According to the data gathered, the most common responses provided by interviewees were that the IAF should remain proactive by staying in touch with management on a regular basis, being aware of and understanding new and elevated risks, reviewing and updating the audit plan on a regular basis, and participating in all forums as an observer.

### 4.5.1 Adopting New Working Practices

All fourteen interviewees (14/14) supported the literature brought forward by Christ, Eulerich et al. (2021) in Section 2.5, as they all acknowledged that the pandemic prompted the IAF and their organisations to embrace innovative work practices. For instance, the pandemic abetted the IAors to revaluate their current audit plans, broaden the scope of their work, negotiate a new set of risks and get used to working remotely.

However, among these fourteen participants, one participant (1/14) expressed a distinct perspective. While acknowledging that the pandemic provided an opportunity to adopt new work practices, the participant also conveyed that:

> *"I am not convinced that everyone responded to the opportunity presented. Therefore, I have friends who work in organisations that are working fully from the office; they continued working from the office and in my opinion that is an opportunity loss"* (IAor 2).

The remaining interviewees (13/14) contended that without the pandemic, they would not have altered their pre-pandemic work practices. This is because the pandemic assessed the adaptability of specific IAFs and organisations to evolving situations. Consequently, the IAFs learned to function in an alternative manner that promoted a work-life balance.

Additionally, three participants (3/14) emphasised that the pandemic facilitated a shift towards a paperless environment for the IAFs. The pandemic not only prompted the adoption of new working practices but also encouraged greater trust in storing sensitive information, such as customer data, in the cloud. Before the pandemic, many IAFs were hesitant to do so.

### 4.5.2 Remote Working as the "New Normal"

As argued by Ambühl (2020) in her study, the pandemic has had a significant impact on the way businesses operate, and the IAFs have not been immune to these changes. The need for social distancing and the adoption of working remotely has accelerated the adoption of digital technologies and remote working practices, which has, in turn, led to the development of new business models for IAors. Furthermore, according to Ambühl (2020), many of these changes are likely to continue even after the pandemic is over. Meaning that the IAFs will need to continue to embrace digital technologies and remote working practices to remain effective and efficient in the "*new normal*".

In line with this, a predominant number of participants (11/14) agreed that remote working will more likely appear to become the "*new normal"*, given that it provides an excellent opportunity for the IAors and their employees to work in an environment that is less controlling and more engaging. One particular interviewee (1/11) also mentioned the fact that during the pandemic, through the introduction of remote working, it has acknowledged that such adaptation not only resulted in an economic advantage from the company's point of view but also from the IAor's side;

> *"I believe that if I give my staff that flexibility of working remotely, I will get more out of them"* (IAor 2).

From the interviews conducted, it was also revealed that a significant proportion of IAFs and organisations (10/14) will implement a hybrid-working model in the foreseeable future, instead of completely remote working. The reason for this, as explained by the participants, is those certain critical activities such as important meetings or testing requires employees to be present on-site.

Conversely, the remaining participants (4/14) expressed opposing opinions and did not believe that the changes brought about by the pandemic, such as remote working, would become the new standard. Their reasoning was that for an IAF to operate optimally, team collaboration and connections were essential. Additionally, in contrast with the literature brought forward by Ambühl (2020), they asserted that their respective companies had no plans to implement any alternative work arrangements once the pandemic had subsided. However, in particular, one interviewee from this group (1/4) mentioned that while remote working may not be the ideal solution in the "*new normal*," they elaborated that:

> *"I hope that online meetings and online seminars are here to stay as people are realising how much time was being wasted on travelling in the past and how more efficient things are now" (IAor8).*

### 4.5.3 The Use of Agile Working Methods

Additionally, participants were asked to share their opinions on the implementation of agile working methods and whether it could improve the functionality of the IAF in the future. Many of the participants (12/14) agreed that incorporating agile working methods in the IAF could indeed enhance IAors' functionality. In particular, one respondent reasoned out that:

> *"There are many benefits of agile working methods because the software can take into consideration the most important risks and the level of assurance needed"* (IAor 5).

This may be because agile methodologies prioritise flexibility and responsiveness, which can help organisations to adapt quickly to changes in their environment and address potential risks as they arise.

Moreover, the interviewees also contended that the use of agile working methods enables the IAF to react to both internal and external developments quickly and effectively. Such finding is in line with the findings brought forward by KPMG (2019) which also contended such benefits brought up by adopting agile working methods. Moreover, alternative benefits were mentioned by the participants which are indeed also in line with the findings of Crave (2022) that agile methodologies emphasise frequent communication, collaboration, and iterative development, which can help teams identify and respond to changes in real time.

However, some of these participants (4/12) further elaborated that while agile working methods can enhance IAF functionality, there are limitations to how IAors can implement agile auditing/working methods. The main challenges cited by these participants were that IAors are often pressured to complete audits within a specific timeframe which ultimately can lead to poor resource planning and fragmented information output. Moreover, when using agile working methods, IA standards and regularity requirements may tend not to be fully fulfilled. Consequently, these limitations may result in weaknesses in the documentation presented by IAors. One respondent (1/4) argued that:

> *"If I go into situations, where I will be cutting corners, such as not enough confirmations are being provided, then I have no other situation but to revert and use traditional methods, because I cannot afford to provide misleading information"* (IAor 4).

While the majority of the interviewees (12/14) emphasised the benefits of adopting an agile approach within their function, four of these participants (4/12) supported Berger's (2020) findings, where such researchers emphasised the drawbacks that agile methods could introduce. Yet, both the participants and Berger (2020), pointed out that by making use of and by adopting agile methods within the IAF may lead to a number of concerns to take place. Therefore, despite the drawbacks that have been considered by both the interviewees and Berger (2020), the choice to implement an agile strategy within a company should be carefully considered, taking both the possible benefits and difficulties into consideration. It is also critical to ensure that the company has the resources, support, and training needed to execute and run the agile methods effectively.

Two of the participants (2/14) admitted to having no knowledge about agile auditing or agile working methodologies. They expressed a desire to explore the topic further and gain a better understanding. In contrast to what has been stated, by previous interviewees, a minimal amount of participants admitted that they were unfamiliar with agile auditing or agile working methods and showed a willingness to learn and adapt to new approaches which ultimately can be an important trait for their profession. As a result, to this, findings brought forward by MetricStream (2021) outlined a five-step plan for IAFs and IAors to adapt and be more agile.

### 4.5.4 The Adoption of DA and RPA

Various advantages with regard to DA and RPA were put forward in the literature. Moreover, these advantages were further investigated during the semi-structured interviews which were conducted. Such benefits were portrayed by a "*Likert Scale*" system to get a general overview of the perception of the IAor's about the benefits of implementing DA and RPA within the IAF to ease their performance. Table 4.1 overleaf illustrates the mean and the standard deviation of the responses in the order of importance provided by the participants:

| **Benefits** | **N=14** | |
|---|---|---|
| | **Mean** | **St. Deviation** |
| Assist in increasing the scope and quality of their work | 4.285714286 | 0.880630572 |
| Provide better insights to stakeholders | 4.357142857 | 0.502181829 |
| Embed in upskilling for Internal Auditors | 4.071428571 | 0.657431170 |
| Improve bottom-line performance and the company's competitive advantage | 3.785714286 | 0.801101647 |
| Identify any hidden issues and ensure that no risks are omitted. | 4 | 0.597614305 |

Table 4.1: Benefits of DA and RPA

In line with the literature sources[8], all of the participants (14/14) believe that the advantages brought forward are all relevant and important however during the interview they felt that some advantages are more significant than others. According to the participants' responses, they believed that both DA and RPA could aid IAors in their work in the future. The data from Table 4.1 indicates that the primary benefit

[8] Vide Section 2.5.1 - Increase the Use of Information Technology

of using DA and RPA, as reported by the respondents, is “*Providing stakeholders with better insights*”. Furthermore, participants explained that if these tools are configured and verified correctly, the resulting outcomes could benefit not only IAors but also other stakeholders.

Moreover, with regards to the advantage of *“Assist in increasing the scope and quality of their work*”, it was further argued by four participants (4/14) that the use of DA and RPA would assist in allowing IAors to test for the whole population instead of making use of random sampling.

According to the participant’s responses, the third important advantage with regards to DA and RPA is that of *“Embed in Upskilling for Internal Auditors”.* However, it was pointed out by three participants (3/14) that like any other critical component within an organisation, having the appropriate personnel with the appropriate skills and knowledge is a crucial success factor. As a result, such technological advancements have resulted in systems that necessitate greater skills, training and a grasp of how such systems operate.

Moreover, the study shows that within the local setting, the benefits of improving bottom-line performance and the company's competitive advantage and identifying any hidden issues and ensuring that no risks are overlooked received the lowest mean ratings (3.785714286 and 4, respectively) when compared to the other benefits.

Regarding the final benefit of "*Identifying any hidden issues and ensuring that no risks are omitted*"', a few participants (5/14) pointed out that while DA and RPA could help uncover hidden issues, they could not guarantee that all risks are being accounted for.

#### 4.5.5 The Importance of Staff Training and Development

Based on the data obtained through semi-structured interviews and consistent with the findings presented by Butaka (2022) and Hartkopf (2020), all fourteen interviewees (14/14) agreed that IAors should continuously participate in educational programs to enhance their skills and adopt more digital technologies throughout their working practices. The participants emphasised the importance of training in improving IAors' efficiency and effectiveness based on their experience. Ultimately, both Hartkopf (2020) and the interviewees stress the value of constant learning and development as a virtue for the future of the skillset of the IAors as this will enable them to add more value into the company and better satisfy the expectations of stakeholders.

In addition to what has been found, the participants further elaborated that training was also considered as a means of keeping IAors informed of new legislations and developments in digital technologies. Eight participants (8/14) further explained that adequate training would equip them with the necessary skills to perform their job without the need for outsourcing. As a result, one of these participants (1/8) specifically stated that:

> *"For example, some time ago a cyber-security audit was conducted, and we did not have the necessary and required skills and we had to bring professional foreigners from abroad. In our case, since we did not have the required skills in-house to perform the job, we encouraged the company to develop training and knowledge and we also outsource such skills"* (IAor 8).

Two interviewees (2/14) disclosed that they are required to complete a certain number of training hours every year as part of their Continuing Professional Education (CPE). Two other participants (2/14) also expressed apprehension that the training available in Malta falls short of the IAor's requirements and many times lacks the necessary depth.

### 4.5.6 Importance in IAor's Skills

Various IAor's skillset were put forward in the literature presented by CIIA (2021). Moreover, these skills were further investigated during the semi-structured interviews which were conducted.

To gain a broad understanding of the participants' viewpoints on the essential skills when hiring a new employee in the future within the IAF, a "*Likert Scale"* system was utilised again. The average of the responses, ranked by significance according to the participants, is presented in Table 4.2 overleaf.

| **Skills** | **N=14** | |
|---|---|---|
| | **Mean** | **St. Deviation** |
| Innovative Mindsets | 4.285714286 | 0.795394909 |
| Technology Savvy | 4.357142857 | 0.490804659 |
| Creative Problem Solving | 4.5 | 0.462910050 |
| Good Communication Skills | 4.928571429 | 0.257539377 |

Table 4.2: Important Skills

In line with CIIA (2021), all fourteen respondents (14/14) agreed that the aforementioned skills are equally significant. Based on Table 4.2, it can be deduced that "*Good communication skills"* is the most vital skill as per the participants' opinions. This is due to the fact that by having the appropriate communication skills, the IAors can effectively and efficiently communicate with different stakeholders within the company as well as with the auditee to be able to plan, gather the right information, present findings, and finally make recommendations.

Conversely, the study discloses that the skill of *"Having an innovative mindset"* was ranked the lowest with a mean score of 4.285714286. As argued by two particular participants (2/14), such skill unlike the skill of having good communication skills, can be developed over time, particularly through experience. Moreover, it was further deliberated that although the skill of having an innovative mindset takes time, it is also essential for IAors to cultivate this skill. Mainly because developing an innovative mindset requires a willingness to challenge assumptions, take risks, and embrace new ideas. Moreover, given the ongoing rapidly changing environment, many organisations need IAors who can think creatively and develop new approaches to address complex issues.

Additionally, two interviewees (2/14) noted that while all the skills listed in Table 4.2 are crucial for every employee, it is challenging to find a candidate who possesses all of these skills and qualifications simultaneously nowadays. This finding was also consistent with the results presented in Section 4.5.4, which stated that having the right personnel with the appropriate skills and knowledge is a critical factor in today's world, let alone in the future.

During the interview, the interviewer inquired whether the participants deemed any other skills vital for the future of the IAor's profession. Some respondents cited "*technical skills*", which pertain to specialised knowledge and expertise necessary to execute specific tasks, while others mentioned "*soft skills*", which are personal attributes that improve situational awareness and enhance an individual's ability to accomplish their job effectively. Seven participants (7/14) emphasised the significance and importance of IAors being "*professional sceptic*", which entails adopting an inquisitive approach and not simply accepting everything at face value while carrying out their daily responsibilities. The skills that were most frequently mentioned by the respondents during the interview are depicted in Figure 4.3 overleaf.


Figure 4.3: Other Important Skills mentioned by participants

### 4.5.7 Potential Future Risks in the Post COVID-19 World

The final question required the participant's viewpoint on whether the IAF would encounter any plausible hazards in the future, subsequent to the pandemic. In line with the literature brought forward by ECIIA (2022), thirteen participants (13/14) declared that IAors should not rely their focus on identifying and addressing current risks but also consider the future years and potential risks that may emerge. They also pointed out that as IAors, they must come up with a forward-looking approach to identifying emerging risks that could have a major significant effect on their organisation's strategic goals.

The risk that garnered the highest number of mentions (8/13) pertained to the scarcity of skilled and competent staff, and the challenge of persuading current personnel back to the office premises. In line with the findings brought forward by ECIIA (2022), the participants further explained that given the pace of technological change and digital transformation, there is an increase in demand for individuals with the required expertise. Moreover, as also argued by ECIIA (2022), the participants further illustrated the fact that due to the changes brought by the pandemic, many individuals have become accustomed to working remotely, and may be hesitant to return back to the normal workplace setting.

Other potential risks, which were mostly brought up by the participants and were also in line with the ECIIA (2022) report, were the risks of cybersecurity, risks about regulatory requirements, ESG requirements, digitalisation, supply chain issues and geopolitical risks.

a. Cybersecurity and Digitalisation - The participants recognised that the pandemic has altered the way organisations and IAF used to function, necessitating greater reliance on new technologies in the future.

b. Regulatory Requirements - Participants from financial institutions mentioned the risk of regulatory requirements. They explained that regulations are constantly evolving, and the business environment is constantly changing. As a result, IAors are required to stay up-to-date and prioritise new regulations this is because new regulations are adding further challenges with respect to recruiting people having the necessary skills to comply with the new regulations.

c. ESG Requirements - Regarding ESG requirements, participants noted that there are now numerous mandates for ESG reporting, governance, and auditing in today's world. Therefore, IAors must be involved and ensure that organisations are adequately prepared to be able to meet these requirements.

d. Geopolitical Risks and Supply Chain Risks - Most of the participants from manufacturing companies cited this risk, stating that since some of their suppliers are located in Ukraine, direct supply chains have been disrupted, causing prices for many materials to rise significantly.

One participant (1/14) expressed their belief that the IAF will remain unaffected by any risks following the pandemic.

## 4.6 Conclusion

This chapter presented the findings obtained from the semi-structured interviews with IAors, along with a discussion of the findings in relation to the literature review carried out in line with the research objectives of this research. The next chapter will summarise these results, provide recommendations and conclude this research study.

# **Chapter 5**
# Conclusion and Recommendations

## 5.1 Introduction

Chapter 5 concludes this study and it is divided into five major sections, as shown in Figure 5.1. Section 5.2 presents a summary of both the dissertation and the findings, in line with the research objectives. Section 5.3 and Section 5.4 put forward several recommendations related to this research and areas for further study respectively. Finally, Section 5.5 closes the chapter.

5.1 Introduction

5.2 Summary
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- 5.2.2 Summary of the Findings
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Figure 5.1: Overview of Chapter 5

## 5.2 Summary

The following section includes an overview of the dissertation and a summary of the main findings.

### 5.2.1 Summary of the Dissertation

The main aim of this study was to analyse the role of the IAF post the COVID-19 crisis in MLCs. The three main research objectives of this study were mainly to determine how the role of the IAF changed within the local business over time and due to the pandemic, to discover the challenges faced by IAors while conducting their work during the pandemic, and how such challenges can be mitigated. Ultimately, the third and last objective was to suggest recommendations and approaches on how to build better business models for future uncertain events.

Secondary data was carried out through intensive research of literature. While primary data was carried out using a qualitative approach, as it deemed most suitable to fulfil the study's objectives. Moreover, a total of fourteen semi-structured interviews with various IAors within MLCs were conducted. The findings obtained were then compared and contrasted with the literature obtained from various sources to create a discussion and to achieve the ultimate purpose of this study.

### 5.2.2 Summary of the Findings

The following is a summary of the findings in relation to the three defined research objectives.

#### 5.2.2.1 First Objective

The first objective of this research was to determine how the role of the IAF has evolved throughout the years since its existence and throughout the pandemic. The study highlighted that the role of the IAF had experienced some changes both throughout the years and even during the pandemic. From this research, it was concluded that as businesses grew and became more complex, the expectations from the work of the IAors also grew. This resulted in the IAF shifting from a policing role to a more consultancy and value-adding role. Moreover, it was also noted that as time went by, the way the IAFs work has also continued to change. This was mainly brought on as a result of digital transformations, the implementation of other new technologies, and the onset of the pandemic. The study also showed that although under normal circumstances the IAors focus their attention on offering assurance, during the pandemic, the IAF was expected to offer a wider range of services, frequently on short notice as risks have increased and grew more complex.

#### 5.2.2.2 Second Objective

The second objective of this study intended to analyse whether during such an unprecedented period, the IAF faced any challenges and whether any suggestions or actions were made to lessen those difficulties that arose.

According to the findings of this study, the pandemic imposed new requirements on the skills of IAors, necessitating that they offer assurance and insight into everyday risk, as well as take part in crisis management and recognise new and changed risks. The main challenges that the IAF mostly faced were challenges about interruptions in audit work, shifting to remote working, an increase in cybersecurity risks, fraudulent activities, and disruptions in BCP.

This research also mentioned the risks that were deemed significant for IAF before the outbreak of the pandemic. As a consequence of this, it was also stated that such risks will continue to persist due to the pandemic's outbreak, as it was discovered that no organisation, let alone the IAF, was equipped for the shifts caused by the pandemic.

#### 5.2.2.3 Third Objective

The third and last objective of the study was to investigate further whether the IAF can look into and implement new, more effective techniques to build better business models and be better prepared for future unpredictable situations. It was further pointed out that the pandemic served as a mechanism for the IAF to implement innovative business models. As discovered during this research, measures implemented during the pandemic such as the adoption of remote working and online meetings are likely to have a long-term effect on the IAF.

Aside from that, as discovered in both the literature and the semi-structured interviews, there are recommendations and approaches that IAF can implement to strengthen its current business model and be prepared for what's coming next. This is because what seemed to be an issue today, might be a solution in the near future. As a result, it was recommended that for IAF to build up better business models, it should adopt the use of agile working methods, DA, and RPA systems within its function. Moreover, it was also pointed out that IAors should continuously participate in training and educational programs to enhance their skills and acquire new ones.

This study also referred to potential risks in the future, which are very likely to occur after the pandemic period. This led to the discovery that, even though IAF risks shift over time, risks like cyber security, disruption of new digital technology, human capital, and skilled management persisted even before the pandemic and will continue to persist afterwards.

## 5.3 Recommendations

As a result of the discussion presented in Chapter 4, the researcher has developed the following recommendations for IAFs to consider:

### 5.3.1 Emphasise the Significance of Regular Training and Investment in IAor's Skills

As supported by the literature and the findings, it was found that having the necessary skills within an individual is very problematic these days and as time passes, such problem is likely to worsen. As a result, IAors should engage in training programs to improve their skills and incorporate more digital tools into their daily work practices. To strengthen further this recommendation, the training provided should be of high quality.

### 5.3.2 Promote the Possibility of Adopting Agile Methods, DA, and RPA Systems

Throughout such study, it was established that not all of the participants interviewed made use of such systems. It was further pointed out that some participants had little knowledge or are not aware of such systems. For this reason, IAors should be aware of evaluating the possibility of introducing such systems within the IAF, due to the benefits being brought forward by both the literature and the findings. Moreover, during this study, attention was given to the drawbacks of each system. Thereby, training should also be given to those IAors who are aware of such systems, to enhance their knowledge of the possible consequences that such systems can have on the IAF and the work of the IAors.

### 5.3.3 Supporting the Idea of Keeping FWAs within the IAF

The implementation of FWA throughout the pandemic, such as remote working, assisted many organisations and the IAFs to be able to continue performing their day-to-day duties. Moreover, throughout this study, it was established that such implementation could also continue to play an important part after the pandemic. Participants also explained that given the benefits that they achieved from remote working, such as an increase in productivity, they further admitted that they are likely to continue adopting such practices for the foreseeable future.

## 5.4 Areas for further research

According to the findings and discussion of this study, there are several interesting areas where further research could be conducted:

### 5.4.1 A Follow-up Study

The findings of this research provided insights into the potential effect of the pandemic on the role of the IAF. A similar study can be conducted within five to eight years after the effect of the pandemic has passed and will enable the researcher to further investigate whether the role has been adjusted back to the way it was before the pandemic and whether the challenges that have been identified, had any long-term consequence on the IAF.

### 5.4.2 A Comparable Study

The world we live in is dynamic and constantly evolving. Unfortunately, uncertain events might occur in the foreseeable future. A potential study could be conducted in the future taking into consideration such an event and comparing the result obtained from this research to analyse whether the IAors were well-prepared or otherwise.

### 5.4.3 Repeating this Study in a Selected MLC as a Case Study

According to the research's findings, not all of the companies interviewed were affected in the same way by the pandemic. Moreover, since this study recommended various approaches that could be implemented within the IAF in the future, such as the use of agile methods and embedding in upskilling for various IAors and their team members, this study could be repeated as a case study with one specific company to demonstrate in detail how the pandemic affected its IAF and how could the IAF of this company be prepared for future uncertainties.

### 5.4.4 The Impact of the Pandemic on Audit Firms

Presumably, throughout the COVID-19 pandemic era, it was found that most firms altered their business models to continue in operation. Therefore, a study could be carried out to analyse the impact COVID-19 had on various audit firms, such as Big Four firms, medium or small-sized firms, or sole practitioners and the way they were operating and taking into consideration the challenges they have faced along with any innovative approaches they could consider for future purposes.

## 5.5 Concluding Remarks

All in all, the pandemic impacted seriously various sectors of an organisation including the IAF. Despite all the challenges being presented with, the IAF remained proactive to provide more value to their organisations and will remain determined to better itself in the future.

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**Legislation:**

LISTING AUTHORITY – MALTA, 2022. Listing Rules. Malta: MFSA.

# Appendices

## Appendix 1: International Standards for the Professional Practice of Internal Auditing (IIA 2017, p.12-14)

“Standard 2100 – Nature of the work

*The internal audit activity must evaluate and contribute to the improvement of the organisation’s governance, risk management, and control processes using a systematic, disciplined, and risk based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.*

2110 – Governance

*The internal audit activity must assess and make appropriate recommendations to improve the organisation’s governance processes for:*

- *Making strategic and operational decisions.*
- *Overseeing risk management and control.*
- *Promoting appropriate ethics and values within the organisation.*
- *Ensuring effective organisational performance management and accountability.*
- *Communicating risk and control information to appropriate areas of the organisation.*
- *Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.*

*2110.A1 – The internal audit activity must evaluate the design, implementation, and effectiveness of the organisation's ethics-related objectives, programs, and activities.*

*2110.A2 – The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.*

2120 – Risk Management

*The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.*

*Interpretation:*

*Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:*

- *Organisational objectives support and align with the organisation's mission.*
- *Significant risks are identified and assessed.*
- *Appropriate risk responses are selected that align risks with the organisation's risk appetite.*
- *Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and the board to carry out their responsibilities.*

*The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.*

*Risk management processes are monitored through ongoing management activities, separate evaluations, or both.*

*2120.A1 – The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations, and information systems regarding the:*

- *Achievement of the organisation's strategic objectives.*
- *Reliability and integrity of financial and operational information.*
- *Effectiveness and efficiency of operations and programs.*
- *Safeguarding of assets.*
- *Compliance with laws, regulations, policies, procedures, and contracts.*

*2120.A2 – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.*

*2120.C1 – During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.*

*2120.C2 – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.*

*2120.C3 – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.*

2130 – Control

*The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.*

*2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations, and information systems regarding the:*

- *Achievement of the organisation's strategic objectives.*
- *Reliability and integrity of financial and operational information.*
- *Effectiveness and efficiency of operations and programs.*
- *Safeguarding of assets.*
- *Compliance with laws, regulations, policies, procedures, and contracts.*

*2130.C1 – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes."*

**Appendix 2: List of Maltese Listed Entities**

The following is a list of entities listed on the Malta Stock Exchange **as at 4th October 2022.**

| | |
|---|---|
| 1923 Investment Plc | MaltaPost Plc |
| 6PM Holdings Plc | Mapfre Middlesea Plc |
| APS Bank Plc | Mariner Finance Plc |
| AX Group Plc | MeDirect Bank (Malta) Plc |
| AX Investments Plc | Mediterranean Investments Holding Plc |
| AX Real Estate Plc | Mediterranean Maritime Hub Finance Plc |
| Bank of Valletta Plc | MedservRegis Plc |
| Best Deal Properties Holding Plc | Melite Finance Plc |
| BMIT Technologies Plc | Mercury Projects Finance Plc |
| BNF Bank Plc | Merkanti Holding Plc |
| Bortex Group Finance Plc | MIDI Plc |
| Browns Pharma Holdings Plc | Mizzi Organisation Finance Plc |
| Cablenet Communication Systems Plc | Multitude Bank Plc |
| | PG Plc |
| Central Business Centres Plc | Phoenicia Finance Company Plc |
| CPHCL Finance Plc | Plaza Centres Plc |
| Dino Fino Finance Plc | Premier Capital Plc |
| Dizz Finance Plc | RS2 Software Plc |
| Eden Finance Plc | Santumas Shareholdings Plc |
| Endo Finance Plc | SD Finance Plc |
| Exalco Finance Plc | Shoreline Mall Plc |
| FIMBank Plc | Simonds Farsons Cisk Plc |
| G3 Finance Plc | Smartcare Finance Plc |
| Gap Group Plc | SP Finance Plc |
| GO Plc | St.Anthony Co.Plc |
| Grand Harbour Marina Plc | Stivala Group Finance Plc |
| Hal Mann Vella Group Plc | The Ona Plc |
| Harvest Technology Plc | The Treasury, Government of Malta Tigne Mall Plc |
| Hili Finance Company Plc | |
| Hili Properties Plc | Together Gaming Solutions Plc |
| HSBC Bank Malta Plc | Trident Estates Plc |
| Hudson Malta p.l.c. | TUM Finance Plc |
| | Tumas Investments Plc |

| | |
|---|---|
| International Hotel Investments Plc<br>IZI Finance Plc<br>Izola Bank Plc<br>LifeStar Holding Plc<br>LifeStar Insurance Plc<br>Lombard Bank Malta Plc<br>Loqus Holdings Plc<br>M&Z Plc<br>Main Street Complex Plc<br>Malita Investments Plc<br>Malta International Airport Plc<br>Malta Properties Company Plc | United Finance Plc<br>VBL Plc<br>Virtu Finance p.l.c<br>Von der Heyden Group Finance Plc |

## Appendix 3: List of Companies with an IAF

The list below illustrates those Maltese Listed Entities with an IAF in place as adapted by Mignon (2018).

1 Air Malta p.l.c
2 APS Bank Limited
3 Atlas Insurance p.l.c Ltd
4 Bank of Valletta p.l.c
5 BNF Bank (Malta) p.l.c
6 Central Bank of Malta
7 Enemalta Corporation
8 FIMBank p.l.c
9 GO p.l.c
10 Gozo Channel Company Limited
11 HSBC Bank Malta p.l.c
12 International Hotel Investments p.l.c
13 Lombard Bank Malta Plc
14 MaltaPost p.l.c – do not want to take part
15 Mapfre Middlesea p.l.c
16 Mediterranean Bank P.l.c
17 Mediterranean Corporate Bank Limited
18 Medserv P.l.c
19 MIDI P.l.c
20 Mizzi Group
21 Premier Capital P.l.c – Scheduled interview 10th January 2022
22 Simonds Farsons Cisk P.l.c
23 Tumas Group Company Limited

The list below illustrates those Maltese Listed Entities with an IAF in place as adapted by Borg (2018).

1 Air Malta p.l.c.
2 APS Bank Limited
3 Atlas Insurance PCC Ltd
4 BNF Bank (Malta) p.l.c.
5 Bank of Valletta p.l.c.
6 Central Bank of Malta

7 FIMBank p.l.c.
8 Enemalta Corporation
9 GO p.l.c.
10 Gozo Channel Company Limited
11 HSBC Bank Malta p.l.c.
12 HiliVentures
13 International Hotel Investment p.l.c.
14 Lombard Bank Malta p.l.c.
15 MaltaPost p.l.c
16 Mapfre Middlesea p.l.c.
17 Mediterranean Bank p.l.c.
18 Mediterranean Corporate Bank Limited
19 Medserv p.l.c
20 MIDI p.l.c.
21 Simonds Farsons Cisk p.l.c.
22 Tumas Group Company Limited

## Appendix 4: Interview Schedule

The interview schedule which was used during the semi-structured interviews with various IAors is presented in this appendix. The schedule further includes the responses for each Likert scale question.

Introduction

Due to the outbreak of the COVID-19 pandemic, several organisations were forced to move away from their traditional methods and engage in new business models. Given that such changes needed to be done rapidly, the internal audit functions faced significant challenges in keeping abreast with the new business risks, managing the information, which was being presented to them, and expanding their roles and responsibilities.

1. How long have you been working as an internal auditor within the company?
2. Why do you believe an organisation should have in place an internal audit function?

The Role of the Internal Audit Function

3. What are your roles and responsibilities as an internal auditor?
4. Do you believe that the role of the internal audit function has changed over the years? If yes, how?
5. Do you believe that the role of the internal auditor was given more prominence during the pandemic?
6. Do you think that during the pandemic, the internal audit functions needed to revisit their roles and responsibilities in the organisation?

The COVID-19 Pandemic and its Effects on the Internal Audit Function

7. Before the outbreak of the COVID-19 pandemic, what were the risks, which the IAF faced?
8. Do you believe that the pandemic presented the internal audit function with unexpected challenges?
9. Several studies showed that the main challenges that the internal audit function faced as a result of the pandemic were disruptions in the planned work, shifting to remote working, increase in cybersecurity and fraud auditing.

a. Did the pandemic affect the way audits were being carried out? Were there any alterations or adjustments in the processes?

b. If yes, was the internal audit function presented with any challenges with the way that audits were being carried out?

c. Did the internal audit function shift to remote auditing?

d. If yes, what were the advantages of such a shift?

e. Although remote working may offer several benefits, it can also impose challenges on the internal audit function such as:

    i. Poor mental health and well-being

    ii. Isolation

    iii. Lack of supervision and segregation of duties

Do you agree with the above? Are there any other challenges presented by remote working?

f. What were the thoughts of the employees about remote working?

g. Is the company considering remote working in the future once the pandemic is over?

10. The adoption of a remote working business model left organisations vulnerable to cyberattacks and an increase in risks to internal data. Do you agree with this statement? Why?

11. Did the company take any precautions to increase IT security within its processes?

12. The pandemic brought around numerous uncertainties, creating the perfect environment for fraud to thrive. Do you believe that the pandemic presented motives for individuals to engage in fraudulent actions? If yes, why?

13. How could the internal audit function act to decrease such motives of fraudulent actions?

14. Business continuity management anticipates potential crises or risks that might hinder an organisation's ability to accomplish its objectives such as cyber risks, employee risks or business and operational risks. Do you think

that it is important for a business to have in place a business continuity plan? Why?

15. Do you believe that many organisations suffered severely from the pandemic because they failed to determine the importance of such a business continuity plan?

The Future of the Internal Audit Function

The occurrence of the pandemic threw the IAFs in the spotlight. While organisations starting to move towards ‘the new normality’, the IAF had to seize such an opportunity to strike the right balance between giving assurance about governance and controls and reinvesting and making improvements to enhance its perceived value in the organisations.

16. Given the experience of the pandemic, how could internal audit functions stay proactive in the future to continue assisting organisations?
17. Do you believe that the pandemic served as a mechanism for businesses to engage in new working practices?
18. Do you believe that measures which took place during the pandemic such as remote working will become the “new normal”? Why?
19. What are your thoughts on agile working methods within the internal audit function? Do you believe that presenting more agile methods will help the internal audit function to improve its functionality?
20. Making use of data analytics as well as robotic process automation systems can assist internal auditors in several benefits. To what extent do you agree to the below statements (Where (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly Agree), adding comments if any:

| | Number of interviewees = 14 | | | | |
|---|---|---|---|---|---|
| | **Strongly Disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| Assist in increasing the scope and quality of their work | 0 | 1 | 1 | 5 | 7 |
| Provide better insights to stakeholders | 0 | 0 | 2 | 5 | 7 |
| Embed in upskilling for Internal Auditors | 0 | 2 | 2 | 3 | 7 |
| Improve bottom-line performance and the company's competitive advantage | 1 | 2 | 2 | 3 | 6 |
| Identify any hidden issues, and ensure that no risks are omitted | 0 | 1 | 3 | 5 | 5 |

21. Moving forward, should internal auditors engage in more training to develop further their skills and embrace digital technologies even more?

22. When recruiting a new employee within the internal audit function, given the ongoing changing environments, which skills do you believe are important in an individual? (Where (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly Agree), adding comments if any:

| | Number of interviewees = 14 | | | | |
|---|---|---|---|---|---|
| | **Strongly Disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| Innovative mindsets | 0 | 0 | 3 | 4 | 7 |
| Technology savvy | 0 | 0 | 1 | 7 | 6 |
| Creative problem solving | 0 | 1 | 1 | 2 | 10 |
| Good communication skills | 0 | 0 | 0 | 1 | 13 |

Are there any other skills which you consider important in a new employee?

23. Are there any potential future risks that you believe the IAF will most likely face post the Covid-19 pandemic era?