



## Internal Audit

Maintaining trust through  
COVID-19 disruption

# Internal Audit (IA) - maintaining trust through COVID-19 disruption

## COVID-19 business context

- ▶ COVID 19 has emerged as a major disruption to business operations impacting employee health, supply chain, and demand. This has forced companies to relook at their risk landscape and evolve accordingly.
- ▶ With alternative working models of work from home, use of collaboration tools has resulted in emerging risks being faced by the organizations, most which they may not have considered critical in the normal course.
- ▶ As governments and companies attempt to contain COVID-19 by restricting travel, public gatherings and mandating work from home, audits planned through site visits or in-person interactions cannot be executed as planned. However, Internal Audit (IA) must stay-the-course to address the risks that matter most even if the path is adjusted.
- ▶ Business stakeholders are looking at IA functions to provide them with insights and assurance in these difficult times, with renewed / innovative delivery methods.

## IA is adapting to uncertainty...

Our clients remark that they are quickly adapting to the uncertainty by:

- ▶ Conducting dynamic risk assessments and reprioritizing audit activities
- ▶ Introducing flexibility into audit procedures through collaboration tools and remote working
- ▶ Increasing reliance on technology by converting field audits to desktop, analytics-based reviews
- ▶ Leveraging third parties to provide technology support, in-country resources in affected areas and subject matter resources for emerging risk areas
- ▶ Acting in an advisory capacity on initiatives such as business continuity activation and crisis response committees
- ▶ Redeploying audit team members to support critical business continuity efforts
- ▶ Leveraging location-based company resources to provide evidence (such as, photos by warehouse personnel) in lieu of on-site audit procedures

## Can IA enable business continuity?

**IA has a real opportunity to collaborate with the business and enable continuity:**

- ▶ Is IA leveraging its knowledge and experience to support management in managing this crisis (for example, support in running PMO, assisting in using analytics for monitoring)
- ▶ Is IA function part of the crisis management team formed by the organization, to examine the decisions taken and risk emanating therefrom?
- ▶ Are you helping your organization assess exposure to emerging risks, such as, customer and employee safety, cyber security, supply chain, business continuity, working capital and internal controls over financial reporting (ICFR) stress?
- ▶ Have you revisited your risk assessment and planned audit procedures? Where audits have been deferred, do you have plans to maintain risk coverage?
- ▶ Do you have the technology infrastructure and tools to support remote audit activities?
- ▶ How do you plan to supplement your resources to address new ways of working and evolving risks?
- ▶ Are you leveraging any downtime to enhance the IA function (for example, online training and developing analytics)?

# COVID 19 - now, next and beyond for IA

## Now

Align the activities of IA function to enable support to business and also reprioritize audit plan accordingly. Focus on emerging risks like:

- ▶ Crisis management responses and risks emanating therefrom (e.g. lockdown of manufacturing, managing inventory, etc.)
- ▶ Treasury, Cash and working capital management (focusing on optimization, exposures, etc.)
- ▶ Risks emerging due to work from home model (Access, Segregation of Duties, VPN / VDI security, etc.)
- ▶ Cyber risk (Unauthorized applications, phishing emails, etc.)
- ▶ Contract management and exposures therein (LD, Warranty, force majeure, etc.)
- ▶ Data privacy and confidentiality risks emanating from virtual working

## Next

Make the function agile and optimize cost by enhancing technology adoption through analytics, robotics, etc. Also, increase focus on areas with potential of value unlocking:

- ▶ Continuous controls monitoring through analytics - to increase coverage and minimize effort
- ▶ Inventory management - management of build up due to disruption in supply chain
- ▶ Third party risk management (Extended manufacturing providers, Payroll, Shared Services Centre etc.)
- ▶ Update to ICFR (Internal Controls over Financial Reporting) and testing of key controls
- ▶ Policy management - focusing on changes to key policies and its implementation (T&E, Flexible working , etc.)
- ▶ Assist management in stress testing the virtual working model

## Beyond

Digitize the IA operating model by leveraging technology and redirect manual efforts primarily on strategic areas

- ▶ Institute automated and dynamic risk assessment - to identify areas requiring highest attention
- ▶ Define various audit models:
  - ▶ Thematic audits
  - ▶ Analytics based audits
  - ▶ Robotics enabled testing
  - ▶ SME based audits (for strategic areas)
- ▶ Consider digital FTE (full time equivalent) as part of the audit headcount
- ▶ Increase involvement of SME (subject matter expert) for critical areas requiring strategic inputs to management
- ▶ Embed digital enablers for IA function for tracking, monitoring and documentation

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