



Coronavirus and role of internal audit leaders

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Over the last few months, the Coronavirus (COVID-19) pandemic has had a disruptive and devastating impact on businesses in mainland China and Hong Kong, including shutdown of business operations, disruption in supply chain and pressure on their cash flow.

There are many unanswered questions regarding the short and long-term ramifications on organisations regardless of geography or industry. It is crucial for you to assess the current situation and the impact of the coronavirus crisis on your business and your team, in a holistic and collaborative manner.

The purpose of this topic is to highlight some practical considerations for Internal Audit leaders on their execution of their audit plan, how work will be done and considerations around managing their teams.



Immediate considerations

In the immediate future, it is important to continue to responsibly manage your work and continue to do what is best for your organisation as a whole and your team. This has become more challenging as the threat of the virus spreads and companies trigger their crisis response plans. Your team members will have different struggles, tensions and outlooks based on their professional and personal experiences and situations.

This is a time for personal discipline and the internal audit leaders can set an example. It is important to maintain clear and consistent lines of communication with audit teams and provide a reminder to carry out the necessary actions to protect themselves and their families.

It is also important to adhere to the guidance from your organisation and leading public health agencies in order to avoid spreading uninformed fears. Seek to also maintain communications on the location and health of the audit team members. Most large organisations have implemented workforce protection measures, such as working-from-home arrangement and bans on travel plans, in order to keep their people safe. Take time to review those protocols, making

sure they are appropriate for the circumstance, and remind team members of the importance of following your organisation's procedures. If an established process is still not in place, the internal audit leader may develop an ad hoc process to keep track of team members and provide assistance as appropriate.

This is also the time to review departmental and organisational Business Continuity Plans, and quickly involve yourself and your team to execute those plans, as needed. If the current crisis management program does not contemplate a pandemic scenario, then the experience, tools and views of the Internal Audit department may be invaluable in developing such plans.

Extraordinary times require extraordinary leadership. It is important that Internal Audit leaders reach out to key business leaders and offer their team's assistance. For example, your organisations may have to shutdown the businesses due to stricter containment measures imposed by the government, e.g. social distancing law. In these new containment measures, additional risk factors may need to be considered by your organisations. Changes in the organisation as a response to challenges create an opportunity to refine and enhance the risk management processes to better protect the organisation.

The crisis is an important reminder that neither audit plans nor the ways of accomplishing work are static. Take time to scrutinise those plans and reprioritise any upcoming audits based on their significance, regulatory requirements and the ability to execute in a disrupted environment. As the situation evolves and travel restrictions change, you may need to consider how to complete audits without physical access to corporate locations locally, regionally and internationally, how to manage and respond to Audit Committee's responsibility and how to make proper change of the audit plan.



Longer term considerations

It will be critical to regularly recalibrate remote workers' perspectives by reconnecting them to your purpose. It may be a strange feeling when a team cannot work easily together, side by side. If a decision is made that team members in certain geographies will work from home, your team members will be in need of the appropriate technology resources and some guiding principles on how to conduct themselves in this unusual time. You will need to consider how the operating model of your team works, what changes will be necessary to meet your mandate and how effective these changes are.

It is advisable to develop ground rules around how the team conducts itself. Leaders should consider the following changes that have been impacting their teams:

- There are more need for virtual meetings across different time zones and for more frequent progress "check-ins". If there is an initial communication and understanding that there are more interactions virtually, the team is more likely to interpret the new paradigm in the spirit in which it was intended, which is that leaders continue to be accountable for the productivity of their teams.
- Remote work by team members may increase responsibilities outside of work. Potential disruptions in elder care, schooling for children, and daycare services may create challenges. Internal Audit leaders must communicate with their teams and work with the business to understand these challenges and provide appropriate support.
- Strategise how best to use the team's time. Most organisations have already implemented travel freezes and most countries have been restricting travels. This is a tremendous opportunity to challenge your team to work and think differently. Internal Audit will not be immune to potential freezing of activities and this may create a significant increase in capacity for team members to perform desktop reviews or remote audit. This creates an opportunity for internal auditors to catch up on uncompleted tasks, or more importantly create a more meaningful impact on the organisation's risk management capability in new and different ways.

Lastly, how do digitally enabled strategies help to bring more insight and assurance to the enterprise?

Organisations are exploring new and innovative ways to connect with their customers, vendors and employees for the past two months. Conferences with tens of thousands of attendees are shifting to a completely digital format—many organisations are making this transition with less than a few weeks' notice. Leaders should evaluate how those same technologies can improve their internal audit delivers value.

We encourage you to think through the following areas where digital strategies play a critical role in not only remaining productive while working through coronavirus response



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concerns, but while also identifying enhancements to emerge as a more agile, lean and productive internal audit function compared to years past.

- Careful consideration should be given to how data analysis could be performed utilising centralised source systems to execute internal audits without the need for a traditional site visit. For example, the use of analytics may involve evaluating locations or processes that exhibit a more mature control environment based on historical performance compared to those which present more risk to the organisation.
- Review the security measures of the videoconferencing tool and project management software adopted by your organisations.
- Review the internal audit plan and re-visit the approach to the internal audit. If an internal audit team cannot physically visit a site, think of creative ways to still gain risk coverage. For example, if production plants have video surveillance, would internal audit be able to use those feeds to check whether critical physical controls are still working?
- Perform new audit engagements as appropriate. For example, remote working has expanded the use of teleconferencing and remote-access VPN connection, internal audit should perform relevant reviews on areas of organisation-wide security measures and IT infrastructure.
- Plan virtual team-building and socialising activities the same way you would in the office. Set aside time to catch up on each other's personal lives. Create an open format where people enjoy sharing recent experiences that allows for that sense of belonging and enjoyment of being part of a team.

Finally, as leaders, we sometimes feel that we must solve all challenges that present themselves in a situation like this. Although leaders are expected and should set direction and create confidence, there are other aspects of managing teams in a crisis that can be "owned" by the core team. **Internal audit leaders would benefit from remembering that the teams they lead are made up of resourceful professionals who perform infinitely better when they are involved with developing a solution to a problem as opposed to being told what to do.**

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