



COVID-19

Role of internal audit leaders

March 2020

Over the last several weeks, the Coronavirus (COVID-19) pandemic has had a disruptive and devastating effect on people. It has impacted the capital markets, travel and our collective psyche.

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There are many unanswered questions regarding the short and long-term ramifications on organizations regardless of geography or industry. We encourage you to assess the possible scenarios in which the virus may impact your team, colleagues, customers and business, in a holistic and collaborative manner.

The purpose of our first post on 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 organization as a whole and your team. This may 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 organization 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 organizations, such as KPMG, have an emergency check-in procedure for employees.

Take time to review those protocols, making sure they are appropriate for the circumstance, and remind team members of the importance of following your organization's procedures. If an established process is 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 organizational 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 organization may be diverting critical facility operations to another location or creating redundancies in its supply chain for scale. There may be additional risk factors in these operational changes that need to be considered. Changes in the organization as a response to challenges create an opportunity to refine and enhance the risk management processes to better protect the organization.

The recent events that have unfolded as a result of the coronavirus are an important reminder that neither audit plans nor the ways of accomplishing work are static. Take time to scrutinize those plans and reprioritize any upcoming audits based on their significance, regulatory requirements and the ability to execute them in a potentially 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.

Longer term considerations

It will be critical to regularly recalibrate remote workers' perspectives by reconnecting them to your purpose. It is 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 and what changes will be necessary to meet your mandate.

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

- There will be a need for more virtual meetings across different time zones and for more frequent progress "check-ins." If there is an initial communication and understanding that there will be 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.
- Strategize how best to use the team's time. Some organizations have already implemented travel freezes and more may follow. 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. This creates an opportunity for internal auditors to catch up on uncompleted tasks, or more importantly create a more meaningful impact on the organization's risk management capability in new and different ways.

Lastly, how could we use digitally enabled strategies to bring more insight and assurance to the enterprise?

Organizations are exploring new and innovative ways to connect with their customers, vendors and employees. Conferences with tens of thousands of attendees are shifting

to a completely digital format—many organizations are making this transition with less than a few weeks' notice. Leaders should consider how those same technologies can improve how their internal audit function delivers value.

We encourage you to think through the following areas where digital strategies could play a critical role in not only remaining productive while working through coronavirus response 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 may be performed utilizing centralized 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 organization.
- Consider replacing in-person meetings with video-conferencing and project management software to reduce time spent reading and responding to e-mail.
- Review the internal audit plan and re-visit the approach to the internal audit. If an internal audit team can not 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?
- Plan virtual team-building and socializing 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.

Contacts

KPMG AG Räffelstrasse 28 Postfach CH-8036 Zurich	Luka Zupan Partner, Head of IARCS +41 58 249 36 61 lzupan@kpmg.com	Rolf Hauenstein Partner, Head of Markets Audit +41 58 249 42 57 rhauenstein@kpmg.com	Mark Meuldijk Partner, Head of Assurance Technology +41 58 249 48 84 markmeuldijk@kpmg.com	Robin Gerber Director, IARCS +41 58 249 77 42 robingerber@kpmg.com
kpmg.ch				

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