

# Coronavirus and Role of Internal Audit Leaders

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

There are many unanswered questions regarding the short and long-term ramifications on organisations 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.

This document seeks to highlight practical considerations for Internal Audit leaders on the execution of their audit plan, work modalities and considerations around managing their teams and advising the business in this current circumstance.



## Immediate Considerations

In the immediate future, you must put in place measures to assess what is happening and the potential impact to the overall business. The virus has the potential of disrupting businesses and thus keeping internal audit up and running will take planning, creativity and hard work. This may become more challenging as the threat of the virus spreads and companies trigger their crisis response plans. Your team members and the business 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 and frequency of communication with audit teams, audit committee /board on the impact of the virus on the audit plan and working protocols.

It is also important to set clearly defined deliverables and timelines for team members as they work from home (WFH). Seek to also collaborate with other assurance functions to identify and advise executives/board on the top risks arising from the virus. Assess the impact of the virus on accounting standards (IFRS 9), regulator's directives,

revenue targets, and etc. to adjust and report to appropriate stakeholders accordingly. Scan the environment to identify information and its impact on the workflow. Take time to review existing protocols, making sure they are appropriate for the circumstance, and remind team members and the business of the importance of complying with the organisation's and government's procedures. If an established process is not in place, the internal audit leader may develop an ad hoc process in consultation with relevant stakeholders to keep track of employee movement 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 programme 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 the required assistance. For example, your organisation 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 organisation as a response to challenges create an opportunity to refine and enhance the risk management processes to better protect the organisation.

The recent events that have unfolded are an important reminder that neither audit plans nor the ways of accomplishing business activities are static. Take time to scrutinise those plans and re-prioritise 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.** 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 technological 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 and the business work and the change that will be necessary to meet the strategic objectives of the organisation.

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

- There will be a need for more virtual meetings across different locations/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 personal 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. Some organisations 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 organisation'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?

Organisations 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 organisations are making this transition with less than a few weeks' notice. Leaders should consider how those same technologies can improve how their internal audit functions deliver 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 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 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.
- Consider replacing in-person meetings with videoconferencing and project management software to reduce time spent reading and responding to e-mails.
- 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 verify whether critical physical controls are still working?
- 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.
- Periodically review, assess the applicability, activate the provisions of the business continuity plan and report to stakeholders.

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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