

COVID-19 and the role of Internal Audit Leaders

(Part One)

Over the last several weeks, the COVID-19 pandemic has had a disruptive and devastating effect on people. It has impacted the capital markets, travel and our collective psyche. There are many unanswered questions regarding the short and long-term ramifications on organizations. But here are some practical considerations for Internal Audit leaders or Chief Audit Executives to consider on the 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 (IA) leaders can lead by 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. 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 circumstances, and remind team members of the importance of following your organization's procedures. If an established process is not in place, the IA 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 IA department may be invaluable in developing such plans.

Extraordinary times require extraordinary leadership.

It is important that IA 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 COVID-19 are an important reminder that neither audit plans nor the ways of accomplishing work are static. Take time to scrutinise 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.

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:

- More virtual meetings across different time zones and more frequent progress “check-ins”. If it has been communicated 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.
- Team members working remotely may have increased responsibilities outside of work. Potential disruptions in elder care, schools for children, and daycare services may create challenges. IA 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. This is a tremendous opportunity to challenge your team to work and think differently. If activities are frozen, it will 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 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 IA function delivers value.

Consider the following areas where digital strategies could play a critical role in not only remaining productive while working through COVID-19 response concerns. It could also identify enhancements for a more agile, lean and productive IA function compared to years past.

— Careful consideration should be given to how data analysis may be performed utilizing centralized source systems to execute IAs 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

historical performance compared to those which present more risk to the organization.

- Consider replacing in-person meetings with videoconferencing and project management software to reduce time spent reading and responding to e-mail.
- Review the IA plan and re-visit the approach to the IA. If an IA 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 IA 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, 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. IA 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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