



# COVID-19 and the role of Internal Audit Leaders

## (Part Two)

### The new norm

The unprecedented global efforts to reduce the spread of COVID-19 are impacting our daily lives. Those same efforts are also impacting organizations — some more so than others. Although it is still unclear how the world will emerge from this significant challenge, hopefully more resilient, there are some basic questions that require immediate action and re-calibration from Internal Audit leaders or Chief Audit Executives. There are new questions as to how internal audit should focus in light of the COVID-19 impact on the organization:

- How relevant is the current audit plan and what parts of it require recalibration?
- How does Internal Audit keep pace with the speed of changes occurring in the business, including changes in the control environment?
- How does the department pivot to help the organization address new business risks?
- How does an internal audit team better use technology and data to gain insight?

It appears that we are at an intersection, and there is a viable response to these questions. That response presents itself through Internal Audit taking a more data-driven approach that monitors and takes action quickly to help the organization navigate the risks created due to COVID-19. This can be achieved via a simplified continuous risk assessment (CRA) leveraging the use of technology to monitor risks created due to COVID-19 through an internal audit lens. We believe this is a transformational moment for Internal Audit departments.

### What is CRA?

CRA is a data-driven approach that commonly leverages dashboarding to assist in monitoring KPIs and KRIs across locations and auditable business units to help identify anomalies. The objective of CRA is to identify interdependence

between KPIs and KRIs that individual process owners may not be considering as part of their monthly business reviews. For example, we often find that HR turnover metrics can have a significant hidden impact on Operations.

Internal Audit can monitor these interdependencies and drive collaboration where necessary. Internal audit would then follow-up on these instances and determine how to gain insights and assurance that potential risks are being addressed. In the current environment this could be accomplished through some email correspondence to gather supporting documentation.

The current opportunities to use a simplified CRA approach to address risks created by COVID-19 is not dependent on whether you have performed a data-driven risk assessment similar to CRA in the past. To watch a short overview of KPMG CRA, [please click here](#).

### COVID-19 Reality

COVID-19 changed the dynamics of business monitoring - some temporarily and many permanently. The thresholds and tolerances that were previously configured may hold very little relevance today. This is because the entire configuration was based on a “business as usual” environment.

Today, there has been a disruptive impact on almost every organization and much of the work is being done from home. As noted in our prior KPMG in Singapore publication on the role of internal auditors on this topic, the audit plans drafted over a month ago have little applicability today. Process owners are working hard to maintain core operations at a reasonable level. A request for audit evidence or their time in order to perform a process walkthrough will be perceived as “tone deaf” in many organizations.

The current circumstances create an opportunity for a significant shift in practical use of monitoring capabilities.

We recommend that internal audit reallocates its resources toward setting-up a simple, and scalable CRA dashboard to monitor today's critical business elements and inform the process owners on the most critical risk areas that require focus. It is about identifying changes in the business and ensuring they are appropriately managed. Such an assessment would focus on what is not working as well as what is working in our new reality.

### Internal Audit's Seat at the Table

Today, board of directors and senior executives including the CEO and CFO are reacting in real-time to a number of COVID-19 risks in areas that until a month ago were considered business as usual and stable. Those include:

- Employee welfare and managing a remote workforce
- Cash flow and liquidity
- Maintaining control environment and managing the risk of fraud
- Navigating and predicting the COVID-19 business effect, across sales, operations, and finance
- Cost containment
- Supply chain
- Remote cyber security
- Customers' shifting focus

Internal audit has an opportunity to support the business in the areas above through deploying a simple dashboard to use relevant external and internal data to inform the decision makers on the impact of COVID-19.

For example, these are some practical steps internal audit can take for employee welfare and managing a remote workforce:

- For an Internal audit team with regional operations, you may wish to integrate the latest COVID-19 case data and employee location data that has the level of granularity relevant to your organization.
  - Determine the number of active cases and the rate of increase of cases mapped against employee locations.
  - Consider the functional role of your employees by their location. Are they working from home? Do any of them still have to report to a physical location? Can you monitor the changes in these locations as government-mandated shutdowns occur?

- Add metrics for workforce management as well as health and safety. Consider how to get a very high-level view of employee attendance such as email traffic, remote login, badge swipes, etc. The purpose of these metrics is to identify large shifts in activity as locations become more severely impacted as well as monitor for when these locations begin to go back online.

Finally, it is important to remember that your leaders and colleagues want to be part of an organization that is making the best of a challenging situation. The approach above will focus on reporting on locations that are also making things work. It could highlight the success of transition from office to home for many across the organization.

If you and your internal audit department need further guidance on how to start tackling some of the concepts above, please reach out to your KPMG Internal Audit contact or to us directly, as we all move forward together in this new environment. In our next publication, we will address the steps required to maintain the CRA model proposed above and leading practices on how internal audit departments can perform highly effective remote digital audits.

## Contact us

**Jonathan Ho**  
**Partner**  
**Governance & Risk**  
**Advisory**  
**T:** +65 64118336  
**E:** [jho1@kpmg.com.sg](mailto:jho1@kpmg.com.sg)

**Tea Wei Li**  
**Partner**  
**Governance & Risk**  
**Advisory**  
**T:** +65 64118114  
**E:** [wtea@kpmg.com.sg](mailto:wtea@kpmg.com.sg)

**KPMG Services Pte Ltd**  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581  
**T:**+65 6213 3388  
**F:** +65 6225 0940  
[kpmg.com.sg](http://kpmg.com.sg)



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