

Internal Audit in times of COVID-19

WIRC – webinar on 5th May 2020

What are we covering

Setting the context

Challenges

Opportunities

Use of technology

Practical tips to address the challenges

How to stay relevant & add value

Learnings from COVID-19



Setting the context

Current scenario in India

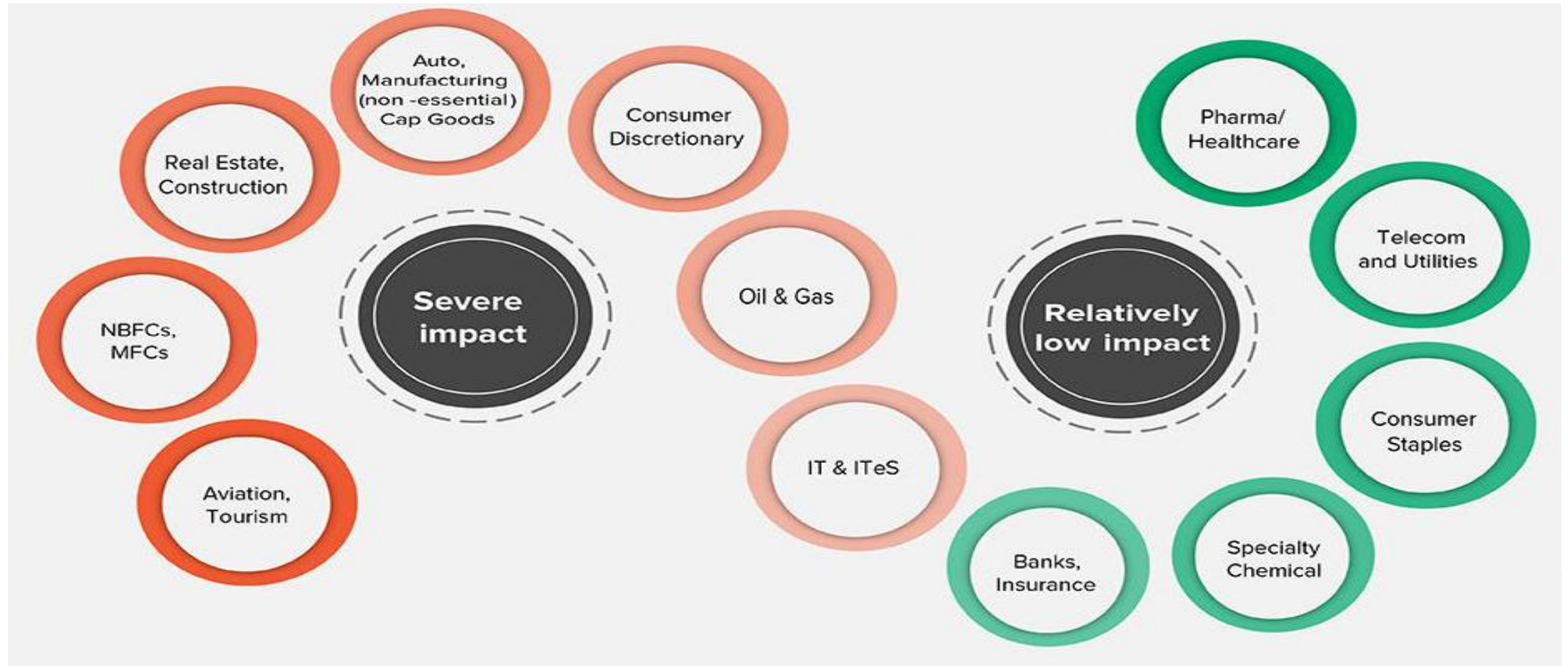
Lockdown initially was till 14th April 2020 & further extended.....and then partial opening

Operations of the companies are disrupted as factories, warehouse, transportation, etc. are at standstill

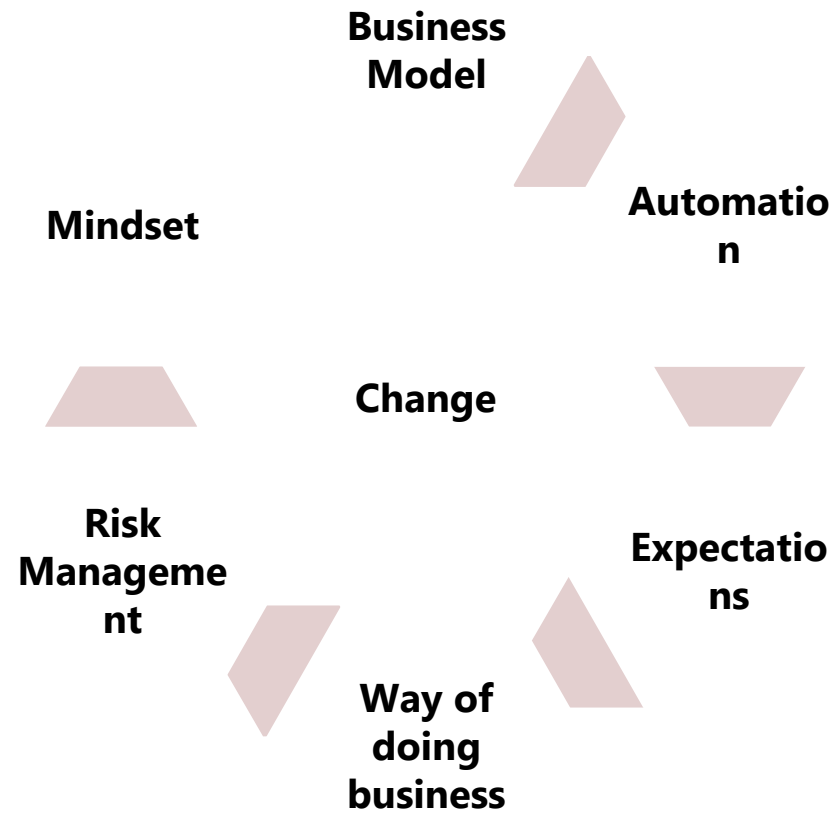
Financial stress on companies as revenue has declined, but fixed costs & financing costs continue

Uncertainty on period of disruption & future road-map as most companies were not prepared for disruption of this magnitude

COVID-19: Industry-wise impact



What will change.....



Will we see big shift in the way internal audits are done?



Expect a fundamental shift towards internal audits which are technology driven. Data analytics and automation will play a key role.



Challenges

Points to ponder.....



- How to stay relevant
- How do we conduct audit and close the assignments
- Will IA be discontinued in entities where it is not mandatory
- Will the fees reduce

Points to ponder.....

Time
management

Outstation audits

No access to
physical
documents

Data security &
client
confidentiality

Meeting client
expectations

Compliance with
auditing
standards

Various challenges

Planning

Execution
challenges

Audit
evidence

Review &
monitoring

Assignment
closing

Meeting client
expectations

Team



In the middle of a
difficulty lies opportunity



Opportunities

Where can IA play a important role ?

To act as a sounding board

IFC

Risk
management

Expense review – idea for cost saving

Contract review

Identify
government
benefits

New SOP / guidelines

Fraud risk management

Automation

Organizations response, emerging risks & mitigation

Remote working

- **Work from home policy**
- **Listing of assets given to employees**
- **Monitoring productivity**

Post-COVID re-opening

- **Social distancing policy**
- **Compliance with norms**

Supply Chain arrangements

- **Redefining re-order levels**
- **Logistic arrangements**
- **Vendor dependencies**

Organizations response, emerging risk & mitigation

Cyber security risk

- **Security of data**
- **Updation of anti-virus**
- **Back-up of data**
- **Sensitive data**

Assessment of credit risk

- **Review of credit risk policy**
- **Detailed review of outstandings to identify potential bad debts and suggest its mitigations / action plan**

Reporting structures

- **Exception reporting**
- **Restructured and more meaningful MIS**
- **Dashboard**

New audit area's which could be planned

- Review contingency plans/pandemic plans & business continuity plan
- Review / preparation of SOP for new processes
 - Work from home policy
 - SOP for social distancing
- Quick review of new systems & process – example guidelines for newly activated net banking facility
- Evaluate design of new/ amended controls prior to implementation of the same
- Special audit of transactions undertaken during lockdown period



Use of technology

Use of technology



- Conducting virtual meeting through Skype or Microsoft team & conference call
- Electronic documentation: Call recording of interview with the process owners & senior's review
- Remote access to client's ERP & Document Management System (DMS)
- Deployment of analytics (e.g. IDEA, ACL, etc.) to increase coverage & focus on outliers to deliver valuable insights & assurance

Use of technology – practical examples



- Use of VPN network to continue concurrent audit even during the lockdown period
- Use of artificial desktop to permit access to SAP and server. This ensured outstation audit was conducted from home
- Sharing of screen while using Zoom, Webex etc. to discuss reports and take management responses
- Tele-conferencing facility used to discuss reports

Use of technology – care to be taken



- Unless necessary, video to be disabled. This helps in reducing the internet consumption and ensures better connectivity
- Minutes of meeting to be immediately circulated
- Use of calendar to block the time
- Common drive to share & access data

Enhanced use of new age technologies

Use of drones

RFID tags

Block chain

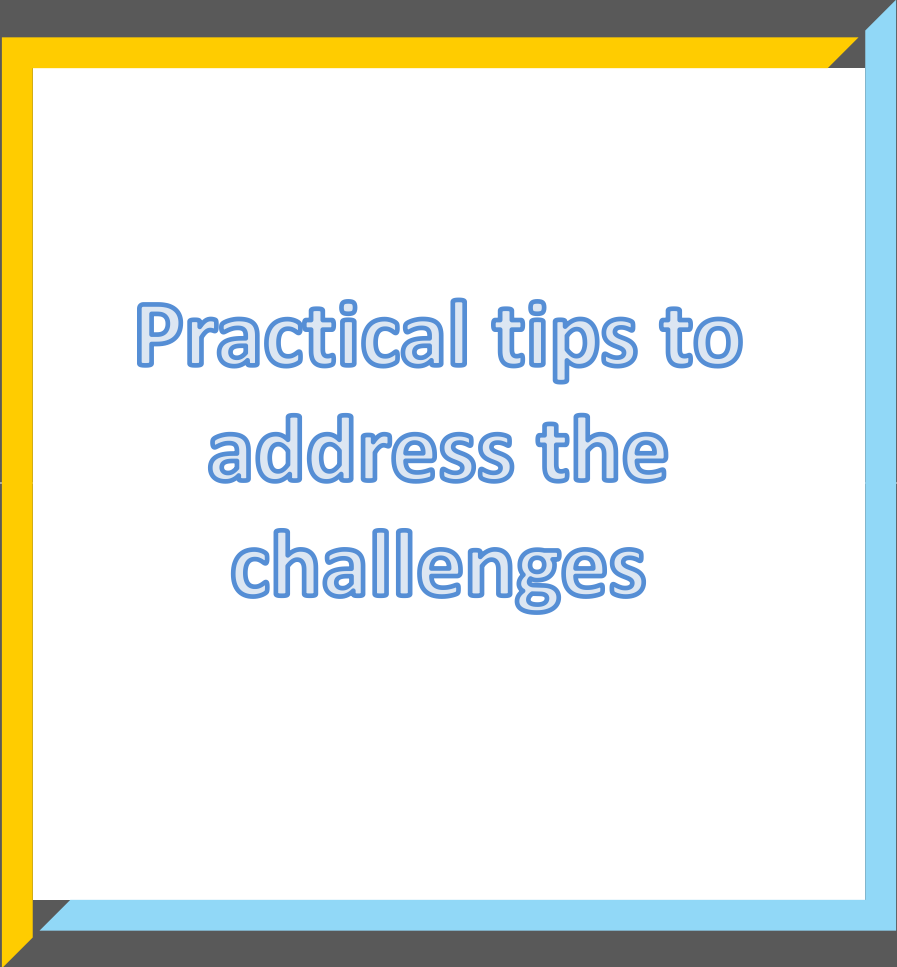
Robotics &
artificial
intelligence

Mobile
accounting

Challenges in use of technology

- Time lag in VPN access
- lack of infrastructure and equipments to enable remote working
- Data security
- Delays in communication
- Productivity

IA team can play an effective role in enabling the management to come out with the process and guidelines to mitigate these challenges



Practical tips to
address the
challenges

What do we need to do differently

Change Mindset

Work differently

Communication with clients

Think what additional role can be played

Understand what is relevant to the client

What do we need to do differently

Innovative methods to resolve execution challenges

Investment in technology

Team motivation

Investment in training

Out of the box thinking

Challenges in planning



- ❑ Re-schedule & prioritize the audits. Focus on critical areas for survival & success of an entity and regularity requirement
- ❑ Collaborate with the key stakeholders to understand new risks & how to use the best IA support
- ❑ Understand the status & availability of electronic documentation & prior intimation of audit requirement
- ❑ Consider IT infrastructure for remote work

Challenges in execution

Need to reduce turnaround time

- Small areas and quick response
- Precise and simple reports

Provide real time inputs for quick decision making

Actionable inputs

Evaluate controls in place to ensure statutory compliances

Time management

Challenges in execution

Out of box solutions for difficulties faced due to lockdown

- Alternate audit steps
- Segregate between critical and non-critical items
- Discuss with management – how are they presently controlling these items

Additional care to be taken while auditing transactions during lockdown

Appropriate scope limitations may be added while closing internal audit reports

Audit evidence & documentation

Set guidelines for filing system to avoid duplicate files

Re-define access rights

Call recording, minutes of discussion

Maintain tracker sheets – pending information, documents & queries

Soft copy files to organised in the same way as hard copy files

Ensure back-up and updation of anti-virus

Review & monitoring

Set clear directions and define scope correctly

Daily update & review of junior's work

Fixed schedules for internal review and monitoring

Daily time sheet review

Periodic calls & status update to client

Overcome team related challenges

- ❑ Motivate the team to ensure high morale during these difficult times
 - Virtual tea break
 - Online games
 - Town hall sessions

- ❑ Share success stories across the organisation

- ❑ Appreciation from seniors for good work



How to stay
relevant & add
value?

Be innovative



Innovation is the ability to see 'change' as an opportunity - not a threat

Practical Tips on how to add value

Bring out potential risk during contract re-negotiations

Suggest mitigation measures / MIS for contracts with liquidated damages

Suggest preparation of dashboards for quick identification of potential issues

Evaluate new systems / processes due to lock-down

Be aware about government relaxations and make appropriate suggestions

Updation of risk control matrix due changed method of working

[Continued...]

Practical Tips on how to add value

Review of expenses
from cost management
perspective

Improvements in IT
policy

Updation of risk
registers (relevant for
listed and large
companies)

Vetting of new policies
for stock clearance
discounts, rebates, etc.

Review of insurance
policies

Highlight potential tax
issues which may arise
due re-negotiations, etc.

[Continued...]

Practical Tips on how to add value

Vendor / customer dependency – learning from COVID experience

Inputs on work from home policy, social distancing policy

Inputs on forward looking technology, automation

Act as bridge between audit committee and operational team

MIS review

Identify duplication & redundancies in processes



Learnings from
COVID-19

Learning from COVID -19



Social Distancing

Work from home is possible and may be a way of life in future

'Agile & flexible' auditing by refreshing audit plan from time to time & monitor action tracker of pending points as part of good hygiene



Sanitising hands

Learning from COVID -19



Wearing mask

Use appropriate filter in internal audit to communicate correct message through written audit observations & filter out unnecessary discussion & interpretation (avoid unnecessary information, lengthy observation drafting, etc.)

Stay connected with all stakeholders and ensure that you are in a listening mode 24*7.

**ESSENTIAL
SERVICES**

Learning from COVID -19



Business continuity & disaster management were not fully geared up for such a pandemic (lack of robust IT infrastructure, lack of emergency/ contingency fund, no back up plan). Especially true for small to medium sized companies

Do not rule out any possibilities and risk management needs to be taken more seriously



Need to stay one step forward & be prepared for any such other event

Any questions





Thank You