

The Role of Internal Audit in the Pandemic

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Retired VP Internal Audit Capability, Huawei
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Introduction to Presenter



IIA Global Chairman – 2012-2013, ECIIA President 2010-2011

IIA UK and Ireland President 2005-2006

Holder of the CIA, CMIIA, CRMA, QIAL qualifications

34 years experience in Internal Audit, 30 years at managerial level

IA Project Expert for the EC and the OECD

Experience in the Public and Private sectors, including spells as:

- VP Capability & Head of the Centre of Internal Audit Excellence - Huawei
- Head of Internal Audit for a number of Health organisations in the UK
- Head of Internal Audit for the UN Special Tribunal for the Lebanon
- Head of Internal Audit for the UN War Crimes Tribunal for Bosnia Herzegovina
- Project Manager for EC funded projects in Poland, Romania, Turkey
- Project Manager for Development Agency funded projects in Kenya, South Africa and Botswana
- Project Expert for EC/OECD funded projects in Croatia, Kosovo, Serbia, Hungary, Latvia, Estonia, Lithuania, Czech Republic, Macedonia

Agenda

The Here and Now

Question Break

The Near Future

Question Break 2

Conclusion

Major Impacts



Major Impacts



DISRUPTION

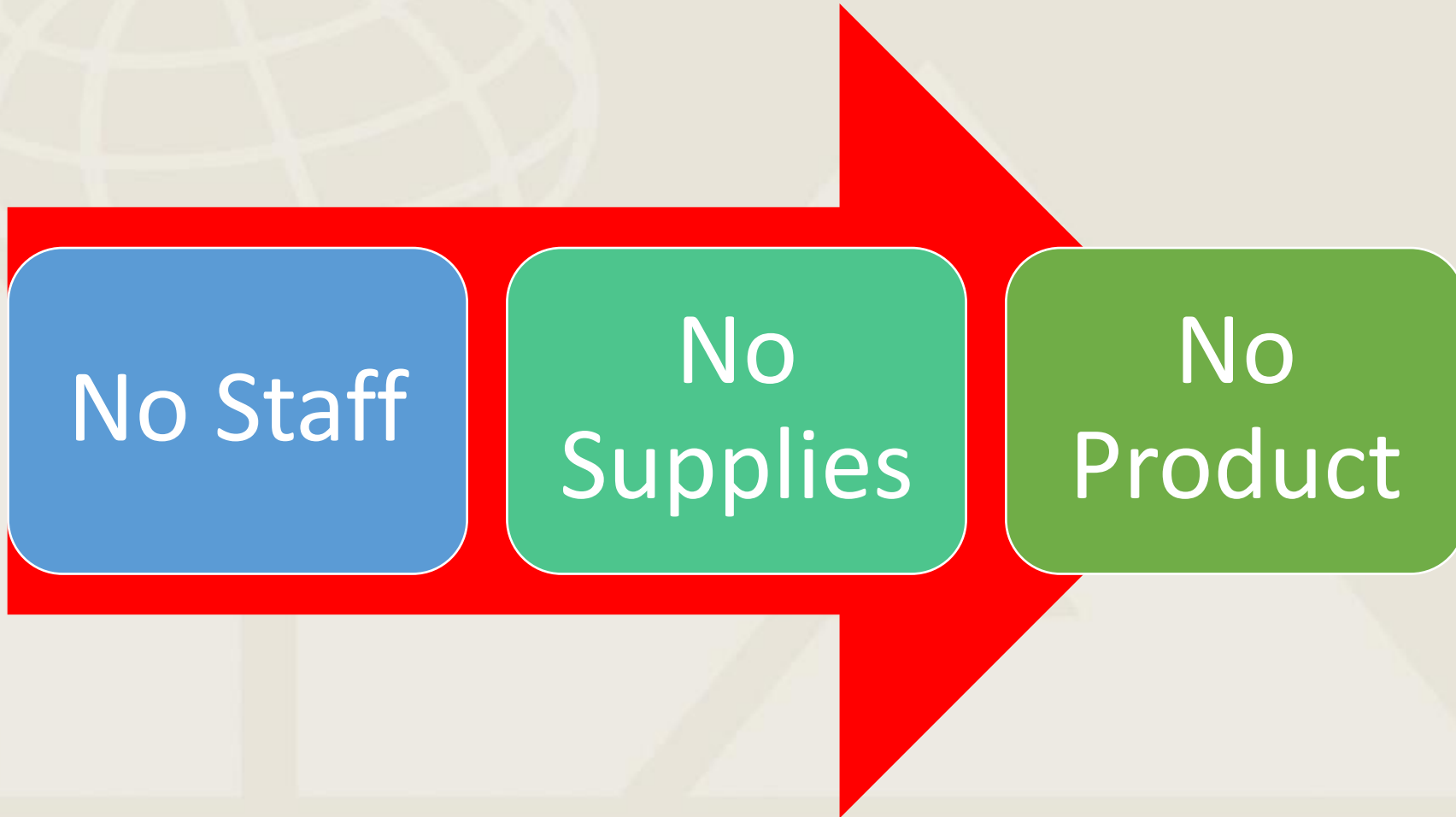


LOCK DOWN



WORKING FROM HOME

Disruption



Lockdown

No
Product

No Cash

No
Payroll

Working from Home

No
Schools

No Time

No
Control

What has happened 1



Audit Plan torn up

IA Staff redeployed

New Regulation

New Products

Increased IT Risk

What has happened 2



Increased staff welfare

Cash concerns

New Working methods

More communication

Crisis Management

Audit Plan torn up

Don't believe that many had pandemic on their risk list

With the heightened risks and a spiralling need to deal with them

There is a need to concentrate on what the business needs right now

Audit Plan torn up - Reality

In the UK, IA teams are:

- Assessing eligibility for government grants
- Manning call centre desks
- Working on the shop floor
- Delivering meals to vulnerable people
- Registering the increased numbers of deaths

And this is happening in other countries,
It is fundamental that IA assist the business or
The business and IA might cease to exist

Other Realities 1

Redeployment of IA staff

- Are the staff capable of covering
- Is it a business priority

New Regulation

- In the public sector evaluate the development & recommend new controls
- In the private sector, evaluate what is required and the necessary controls

New Products

- Evaluate viability and controls needed

Other Realities 2

Increased IT Risks

- More home working – lack of company controls
- Increased hacking whilst defences considered weakened

Increased Staff Welfare

- More home working, more need for team meetings (virtual)
- More pressure, children at home, more mental stress

Cash Concerns

- Evaluate grant, loan and subsidy claims
- Evaluate or develop modelling

Other Realities 3

New working methods

- Evaluate or develop modelling
- Gather intelligence and understand subsidies available

More Communication

- Keeping your own teams up to date and focussed
- Evaluating the messaging from the firm to staff and customers

Crisis Management

- Making sure IA is involved with the Crisis Management team



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Questions



The new
normal

The New Normal 1



Your staff meetings may
have to be virtual

People may have to
spend months
continuing to work from
home

Think of the challenges
that gives you

The New Normal 2

- No Hot desking?
- No Open Plan offices?
- Hand Sanitiser available?
- Front Lobby temperature control?
- One only lift rule?
- 2 metre spacing in staff areas?
- Hand washing facilities?
- Infection testing?

New Normal 3 - Workplace

IIA Poll conducted in the US of CAEs reported:

- More than 20% did not know if their organisation was ready to do infection testing for current infection, prior infection or infection amongst cleaning staff
- Only 8% were involved in Covid19 Health & Safety reviews
- Less than 50% could respond to questions regarding their organisation's readiness for safe workplace return

The figures would suggest IA are not involved at the highest levels

New Normal 4 – Internal Audit

8 April survey of 2500+ participants organised by the IIA said that they were doing the following:

- Updating their risk assessment (45%)
- Carrying out audit projects (39%)
- Creating awareness of key controls (31%)
- Performing research and benchmarking (16%)
- Reperforming essential first- and second-line tasks and processes (16%)

Internal Audit – Call to Action 1

What does Internal Audit need to do

FIRST

Having torn up the Audit Plan you need to replace it

With

A new plan, for three to six months, no more

Internal Audit – Call to Action 2

Why only 3 or 6 months:

- Risks have changed in 3 months, they will in the future 3 months
- Landscape is changing daily – as more knowledge is gained on the virus then scientific advice changes
- You do not know the impact on staff, both company and IA – not only the virus but stress and mental health problems caused by lockdown

Internal Audit – Call to Action 3

If the Plan is only for 3 or 6 months you need to be:

- Actively monitoring developments externally and internally – you need to be on the Crisis Management Team
- Agile to reflect the necessary changes you are going to have to make in the plan as you go forward

Global IIA suggest you may want a plan for the crisis and one for when the pandemic is over

– Not too sure that will happen soon

Internal Audit – Call to Action 4

In a Pandemic Briefing Deloitte suggest IA think of risk in the following terms:

- **Regulatory Risk** – Need to comply but for public sector also how regulation is determined and promulgated
- **Technology Risk** – Has increased greatly
- **Financial Risk** – Is a massive risk dependent on production resuming
- **Operational Risk** – Supply chain, Healthy & Safety issues

High Risks to consider 1

Ensure regulation understood and followed

- Social distancing, work spaces, restaurants, coffee points etc
- PPE, if social distancing impossible what PPE required
- Hygiene, sanitisers, hand washing, toilets shared with other organisations in office blocks, use of lifts,
- Grants and loans, the terms
- Furlough payments, understand and follow rules

High Risks to consider 2

Did the BCP work

- there will be a second & potentially third wave
 - Provide an independent view
 - Evaluate the performance of the BCP
 - Make recommendations for any needed changes

High Risks to consider 3

Ensure the Board, through the Audit Committee,
are focussed on only High Risks

Examples:

- Cash and Revenue
- Employee safety and well being
- Cybersecurity
- Supply Chain

High Risks to consider 4

Question whether a return to old practices is desirable

The natural and easiest thing would be to return to what was the normal.

Can you actually return to those practices?

If there is change is there a new product line that makes more sense?

Has the pandemic given a chance to improve productivity and value?

High Risks to consider 5

Third Party providers and Supply Chain

- Offer to Management to provide an independent review of Third Party Providers performance in the pandemic
- Undertake an Independent assessment of whether the Supply Chain still exists
- Advise the Board to redo Supplier checks as financial status, capacity, staffing levels all may have been impacted by the pandemic
- Recommend a new approved supplier list is prepared

High Risks to consider 6

Communication, to Suppliers, Customers and staff

Make sure the Board communicate regularly with

1. **Suppliers**, to ensure that you maintain your place in the Chain
2. **Customers**, to give reassurance of supply and maintain your market
3. **Staff**, to maintain your competitive edge with committed loyal staff

High Risks to consider 7

Anti-Fraud procedures become more important

During disruption, often controls are bypassed or ignored

So

- Increase anti-fraud auditing in known vulnerable areas
- Undertake an anti-fraud awareness campaign amongst staff
- Remind Suppliers of the organisation's non tolerance of bribery
- Increase vigilance around IT systems

High Risks to consider 8

Consider new auditing techniques

1. Can Data Analytics be used more widely?
2. Are audit visits needed in person – can Zoom or Teams satisfy?
3. Should auditors be embedded in key risk areas?
4. Do links between IA and RM need to be improved?
5. Written reports?



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Questions

Conclusion

Disruption had happened everywhere

This pandemic is just a severe form of disruption

IA needs to be Agile & fast in its response

It is an ideal time for IA to sell its Value to the Board and get that Seat at the Table

The existing plan needs to be torn up

IA needs to be fully involved in the crisis management

Thank you

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