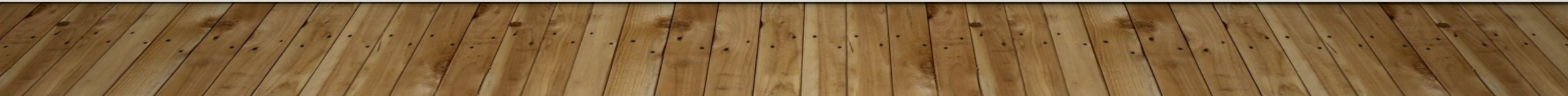


INTERNAL AUDIT ROLES IN BUSINESS RECOVERY

HELEN T. DE GUZMAN

AUGUST 6, 2020



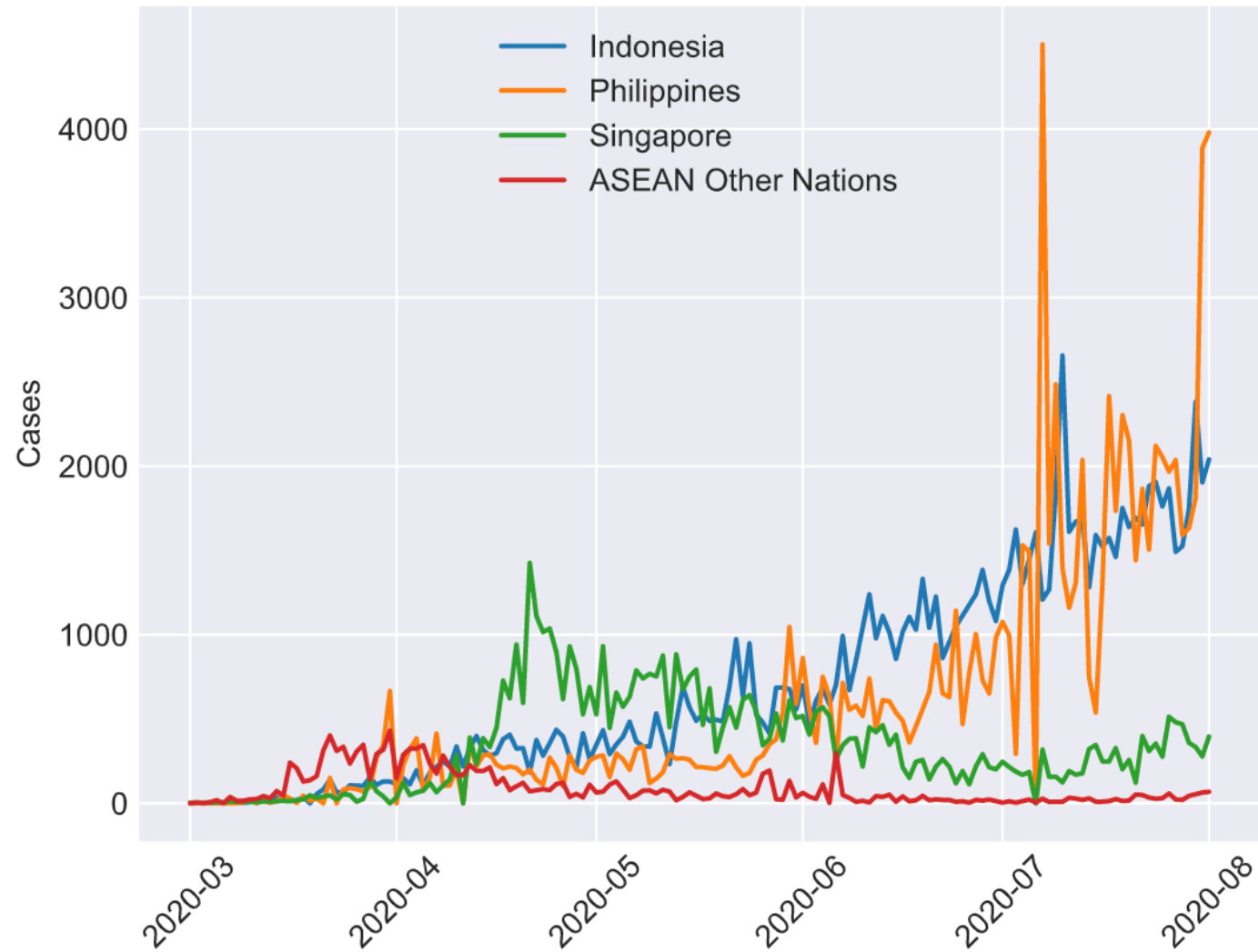
OUTLINE

- I. Situationer: General update on Covid-19 across ASIA and its impact to business
- II. Internal Audit and Pandemic
- III. Internal Audit Roles under 'New Normal' to business recovery

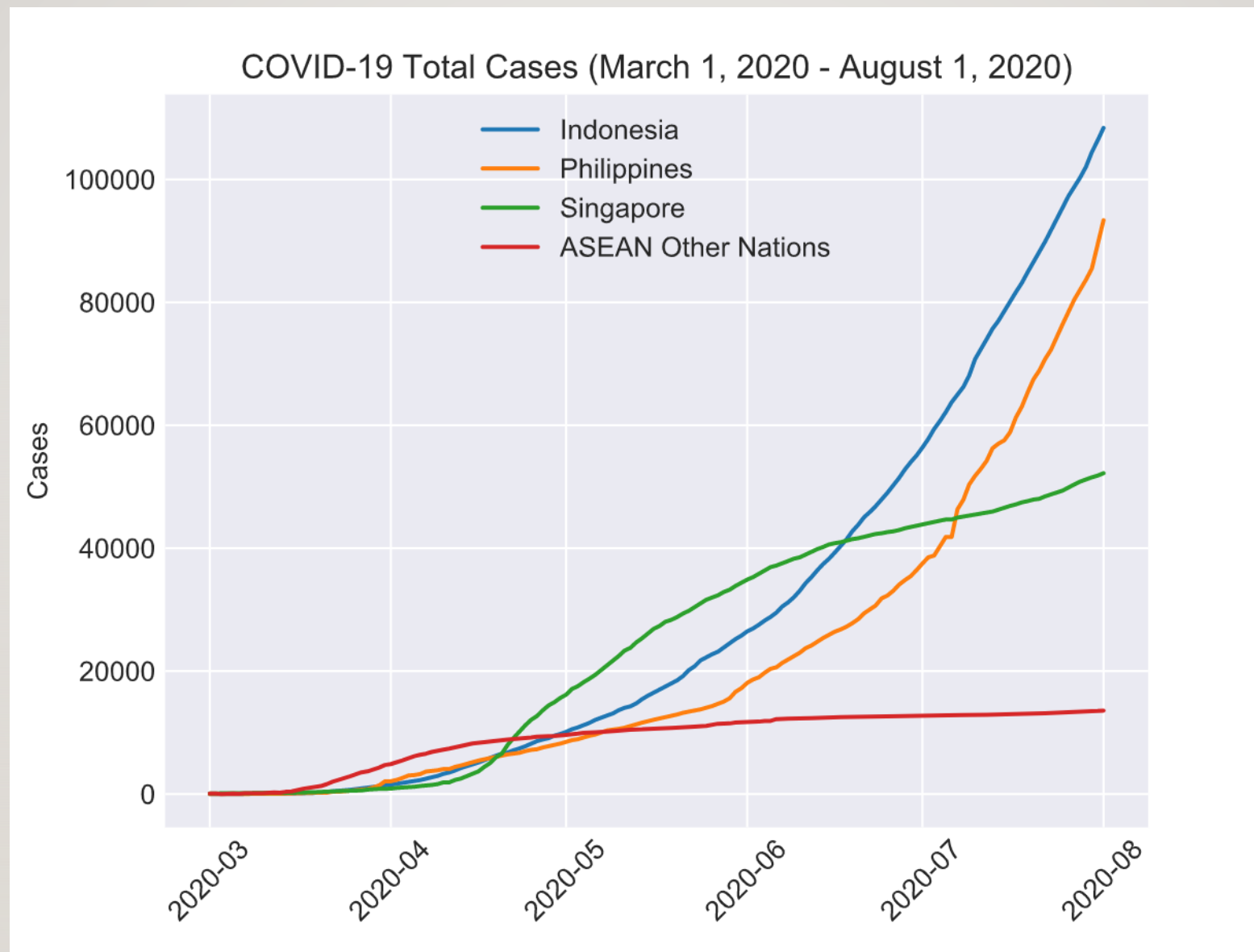
OUTLINE

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COVID-19 Daily Cases (March 1, 2020 - August 1, 2020)



Source: World Health Organization



Source: World Health Organization

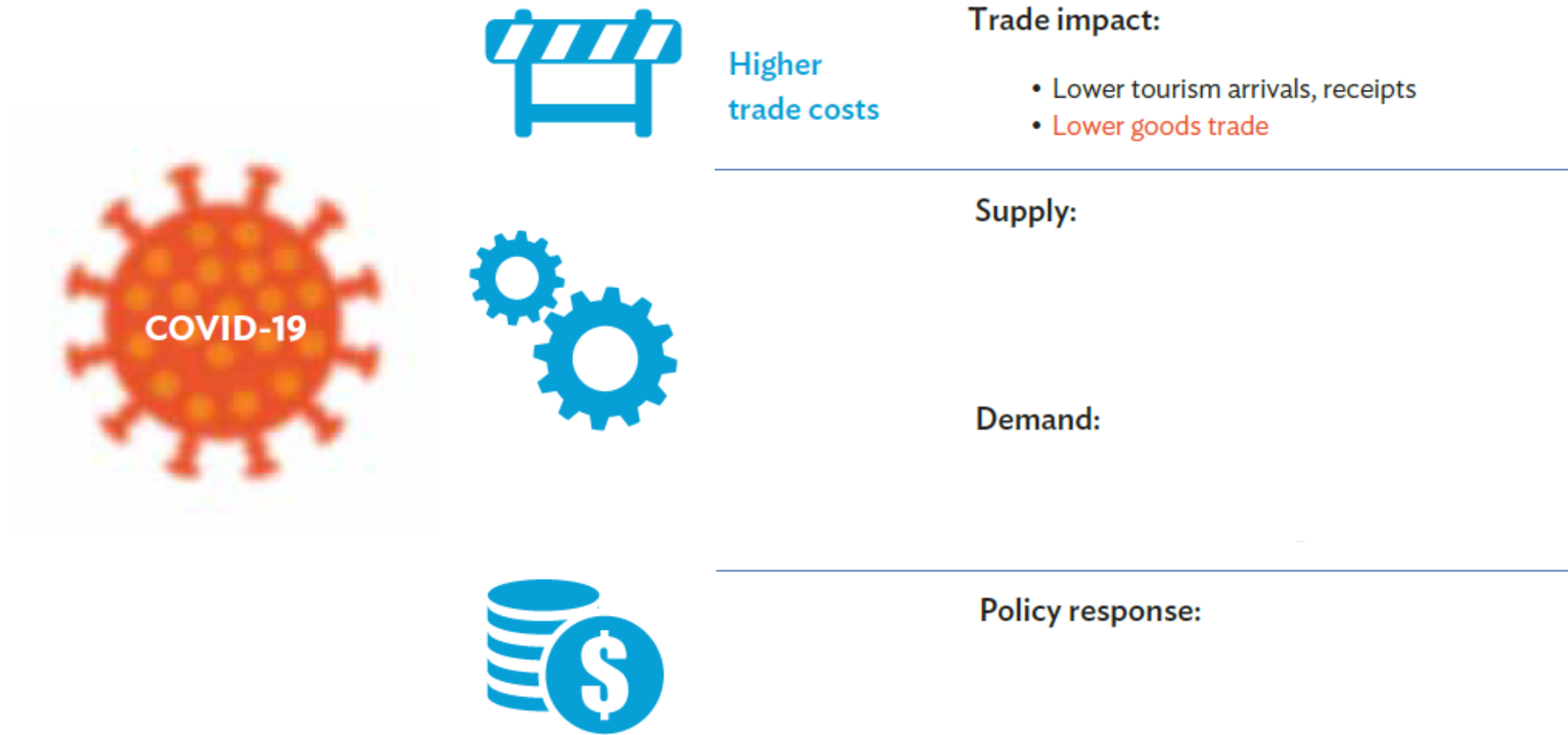
Figure 2. How COVID-19 Affects the Economy



Notes: Red text refers to factors not included in the previous Asian Development Bank (ADB) estimation of COVID-19 impact using ADB Multiregional Input-Output Table (see Special Topic: The Impact of the Coronavirus Outbreak—An Update in ADB. 2020. *Asian Development Outlook 2020: What Drives Innovation in Asia*. Manila.). The Global Trade Analysis Project model includes all of these factors except the health spending channel. Also, it does not include the COVID-19 impact on migration and remittance; capital flows, debt and financial markets; and the environment. There are also no time lags, capacity constraints, or funding restrictions in the model. It also assumed that announced macroeconomic stabilization packages are implemented fully.

Source: Asian Development Bank.

Figure 2. How COVID-19 Affects the Economy



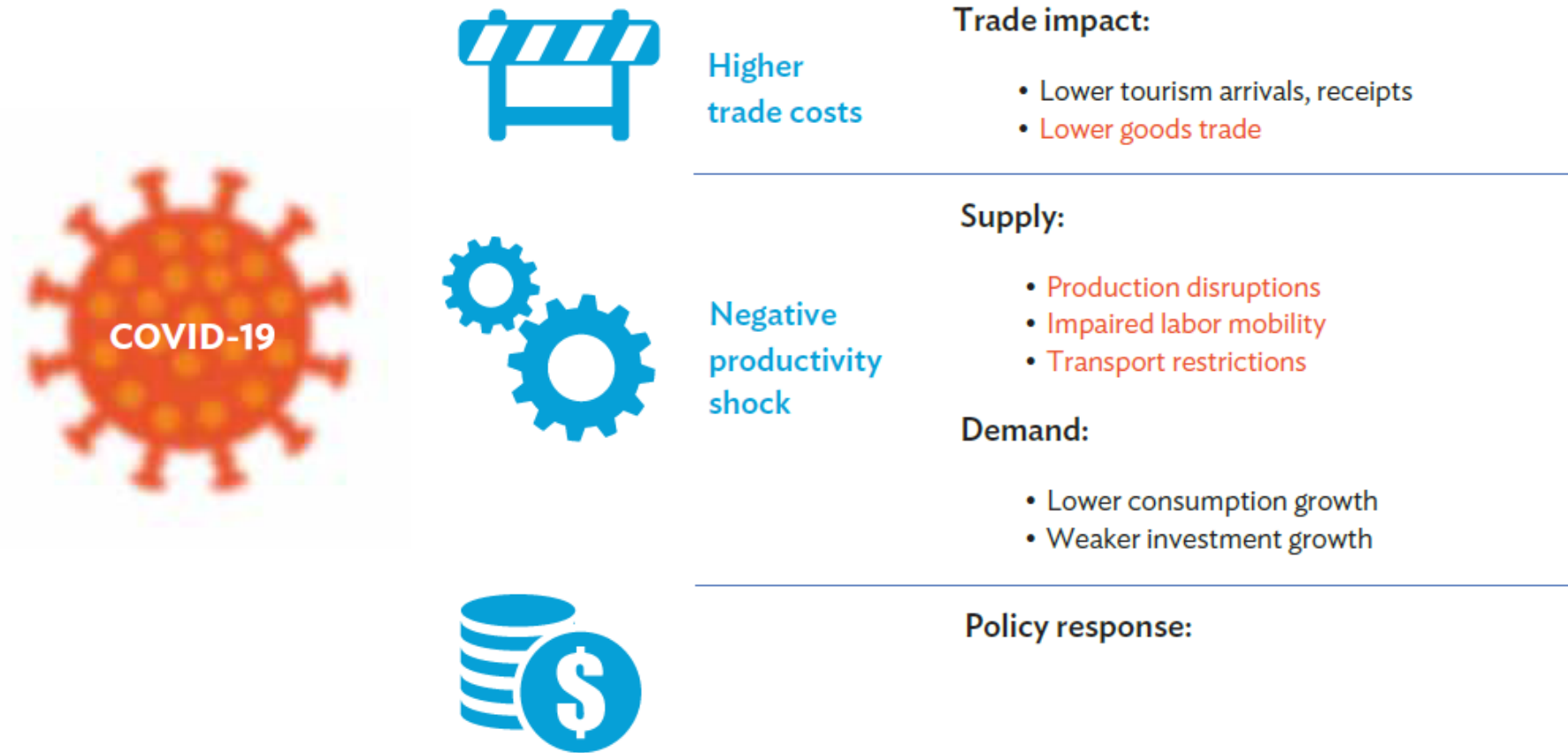
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Source: Asian Development Bank.

TRADE IMPACT ON SOUTHEAST ASIA

- Supply chain disruptions due to lockdowns and quarantine measures are affecting countries dependent on merchandise trade, notably Singapore, Vietnam, Cambodia, Malaysia, and Thailand.
- Other countries significantly affected by the outbreak, including the US and the EU, are also among the region's largest trade and investment partners. The WTO has estimated that world trade is expected to fall by between 13% and 32% in 2020, exceeding the decline brought on by the Global Financial Crisis.

Figure 2. How COVID-19 Affects the Economy



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Source: Asian Development Bank.

SUPPLY IMPACT ON SOUTHEAST ASIA

- The collapse in oil prices caused by the sudden drop in energy consumption due to the widespread lockdowns and travel bans will have a sharp impact on economies dependent on exports of fuel:
 - Indonesia, where coal and oil comprise nearly 25% of exports;
 - Malaysia, where oil and gas make up about 16% of exports
 - Brunei, whose economy is almost entirely supported by exports of crude and natural gas (over 90% of exports).

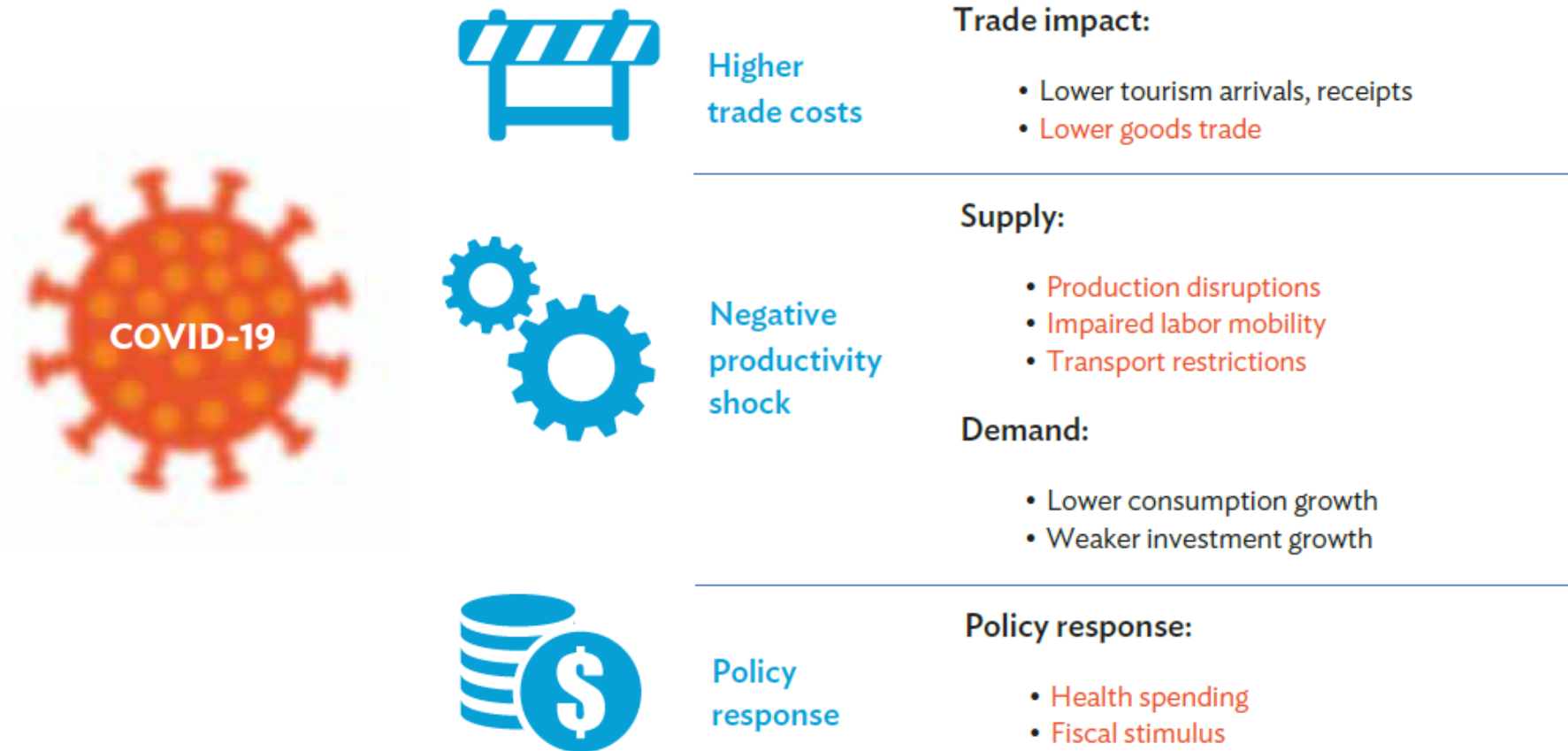
SUPPLY IMPACT ON SOUTHEAST ASIA

- According to the Institute of International Finance, capital outflows from emerging markets have totaled nearly \$100 billion so far this year, with Southeast Asian economies taking a sizeable hit.
 - Indonesia has seen an outflow of \$8.2 billion in capital by the end of March. These outflows have led to regional currency depreciations, especially the Indonesian rupiah, which has depreciated 14.5 percent year to date
 - The Thai baht, Malaysian ringgit, and Singapore dollar all depreciated by more than 4 percent in the March 2-19 period.

DEMAND IMPACT ON SOUTHEAST ASIA

- Countries reliant on remittances, such as the Philippines, are being hit hard as declining remittances weaken consumption and investment.

Figure 2. How COVID-19 Affects the Economy



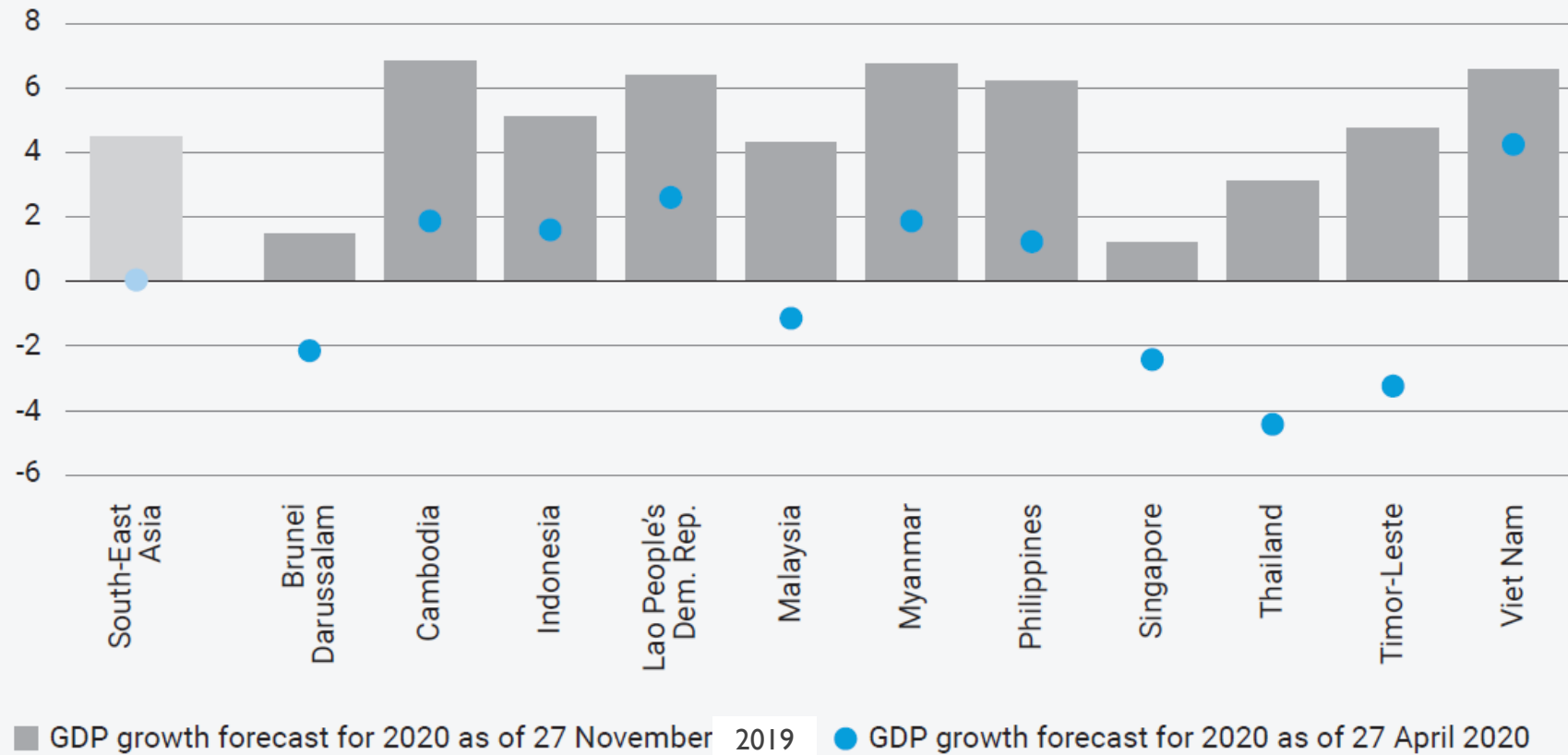
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Source: Asian Development Bank.

POLICY RESPONSE IMPACT ON SOUTHEAST ASIA

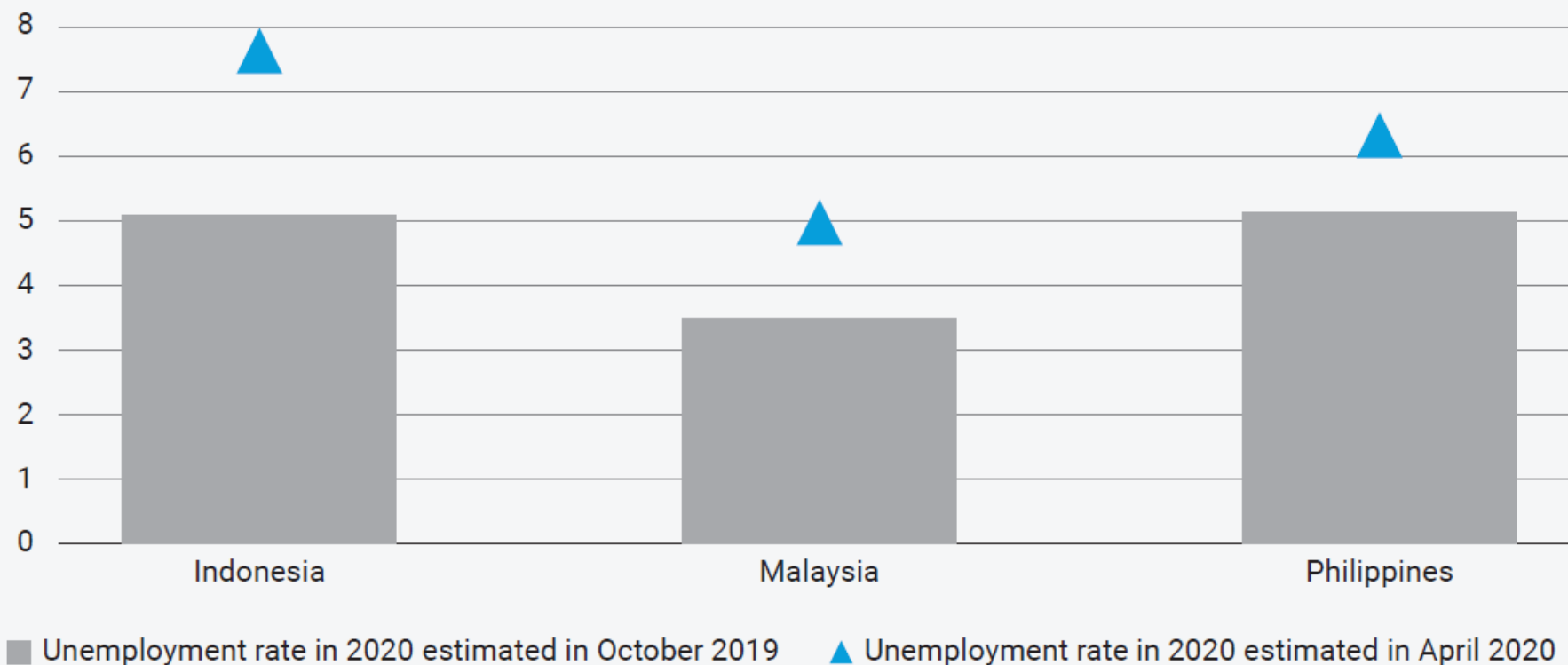
- Many countries unveiled comprehensive fiscal stimulus packages aimed at supporting businesses and households. The composition of the packages varied by country, but included financial subsidies, tax deferral and exemption as well as increases in direct spending.

**FIGURE: COVID-19 IMPACT ON 2020 GDP GROWTH FORECASTS
FOR SOUTH-EAST ASIA (percentage)**



Source: ESCAP, based on DESA's World Economic Forecasting Model

FIGURE: FORECAST OF UNEMPLOYMENT RATE IN 2020 FOR SELECT SOUTH-EAST ASIAN COUNTRIES BASED ON AVAILABLE DATA *(percentage)*



Source: ESCAP, based on IMF World Economic Outlook Database (accessed on 24 June).

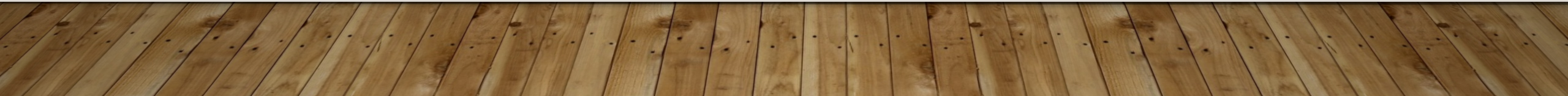
Note: Countries are selected based on data availability.

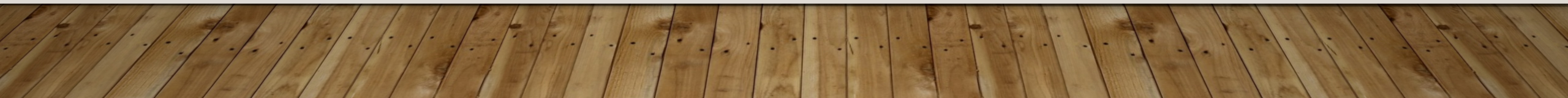
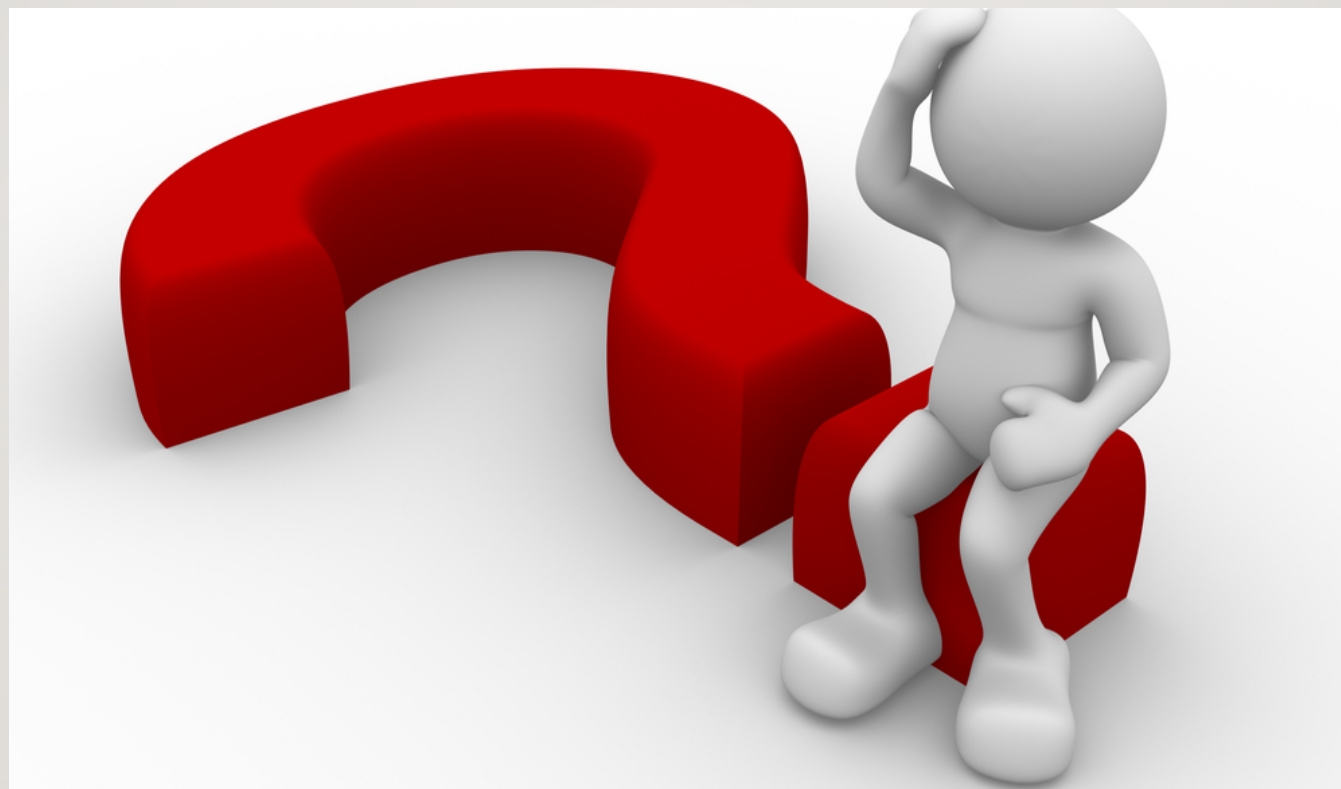
THE PROSPECT OF RECOVERY IN THE ASEAN REGION

- ASEAN economies offer compelling investment prospects for prominent businesses and niche industries given the region's well-established trade networks, growing middle-class cohort, and a young and educated workforce.
- IMF predicts the region to grow by 7.8 percent in 2021, fueled by the acceleration of China-based manufacturers looking to diversify their risks into ASEAN.

THE PROSPECT OF RECOVERY IN THE ASEAN REGION

- **For now, the future is still uncertain.** Business recovery is largely based on the prospects of how severe the pandemic will be within the next months.





OUTLINE

- I. Situationer: General update on Covid-19 across ASIA and its impact to business
- II. Internal Audit and Pandemics**
- III. Internal Audit Roles under 'New Normal' to business recovery



TRUE OR FALSE?

When a pandemic occurs, the mandate of Internal Audit will not change.

WHEN A PANDEMIC OCCURS

Responses of internal audit to pandemic risk:



Suspend internal
audit plan



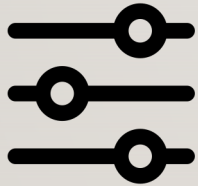
Identify priority
issues



Help
Management



Take business
continuity role



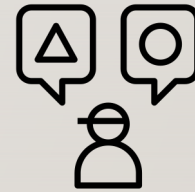
Real-time control
advisor



Control monitor



Take off internal
audit hat



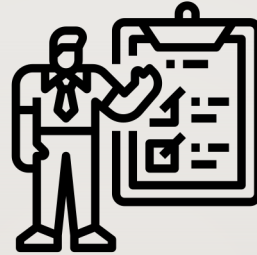
Provide alternative
service

ROLES OF INTERNAL AUDIT IN A CRISIS



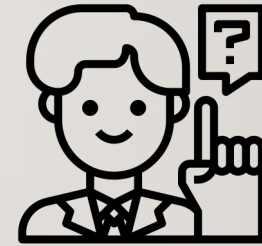
Review Business Continuity Management to evaluate:

- Completeness
- Maturity
- Appropriateness based on org.'s risk appetite & tolerance



Business risk assessment

Program or project reviews



Perform advisory services

INTERNAL AUDIT APPROACH OR METHODOLOGY



Risk-based Auditing



Remote
Auditing

REMOTE AUDIT

A remote audit is exactly the same as the usual audit but using electronic means to remotely obtain audit evidence.

- uses technology to carry out audit work without requiring the auditor to be physically present at the audit location.
- remote techniques in location that are difficult to access

REMOTE AUDIT

- *Ensure availability and feasibility of technology use*
- *Ensure confidentiality and security are maintained*
- *Audit report should clearly state the extent use of technology*
- *Audit report should include processes that could not be audited.*

REMOTE AUDITING TOOLS



Virtual meeting
tool



Repository of
documents



Scheduling



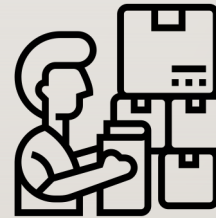
Survey/Polling



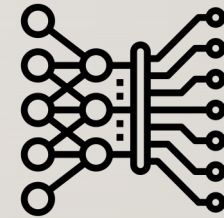
Managing tasks



Managing
meetings



Inventory control

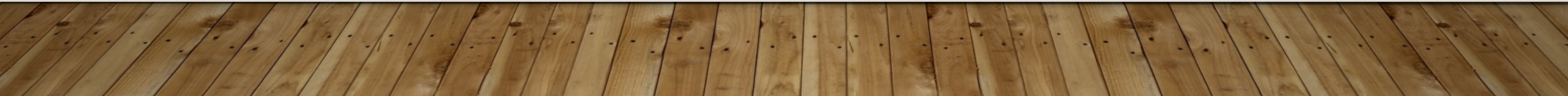


CAATS

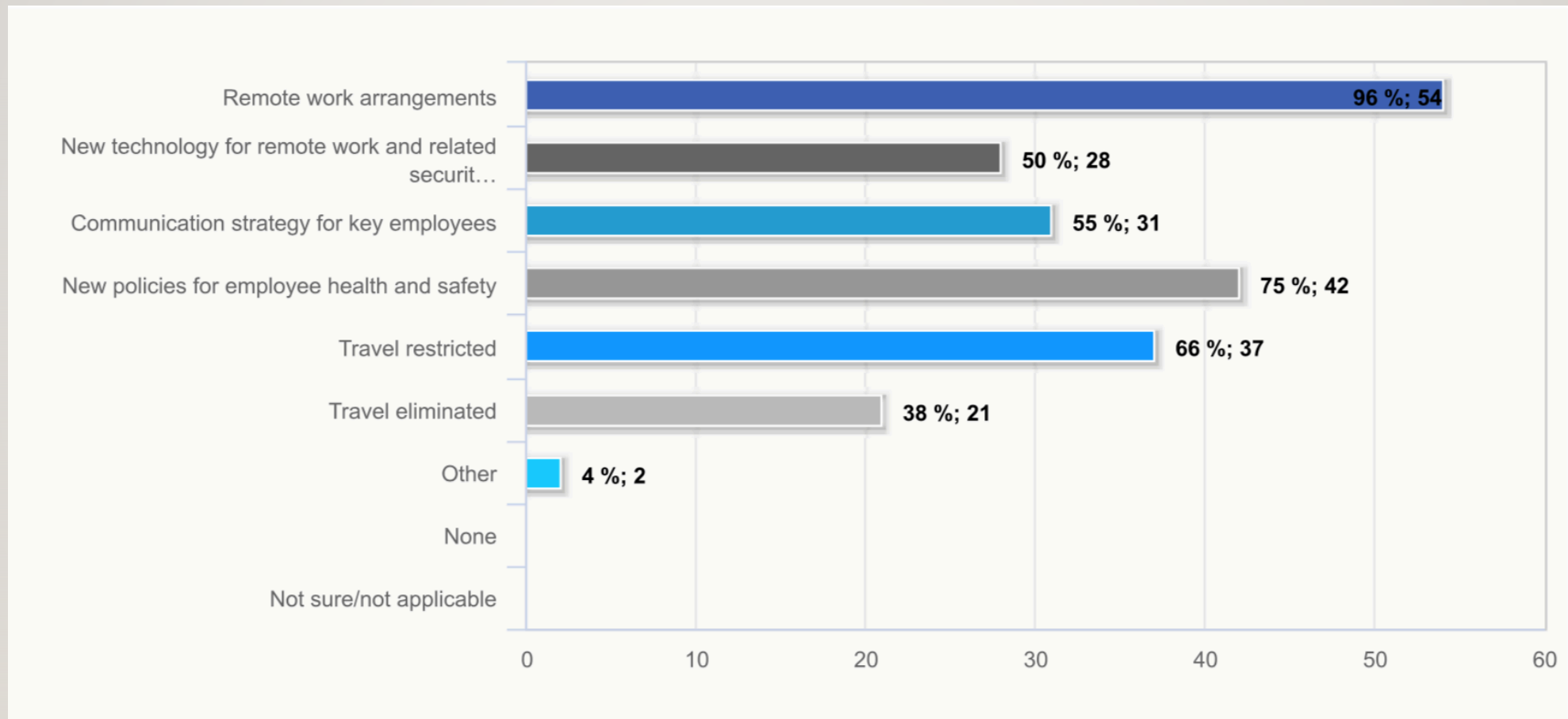
2020 Survey of The IIA Audit Executive Center

“Pandemic’s Impact and Year Ahead for Internal Audit ”

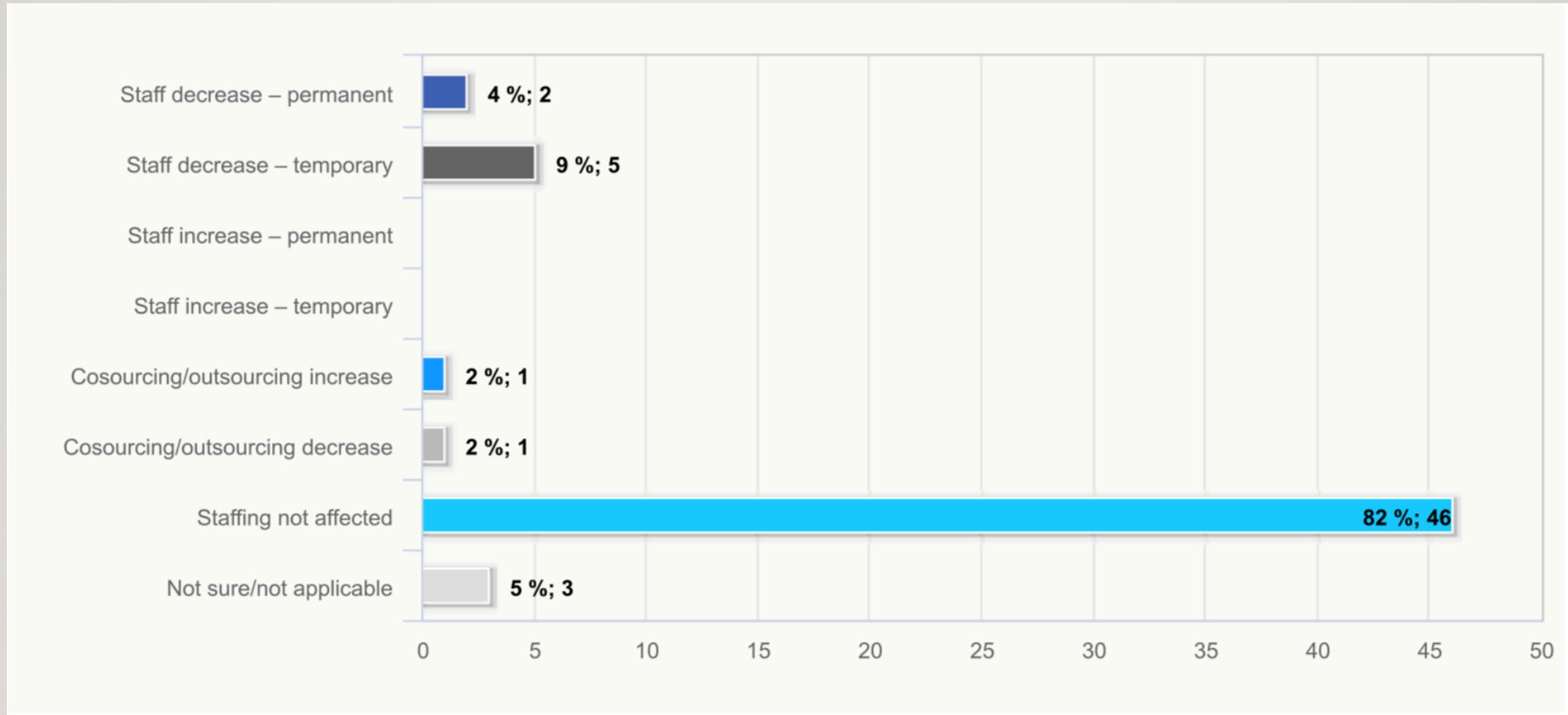
(Respondents from ASIA)



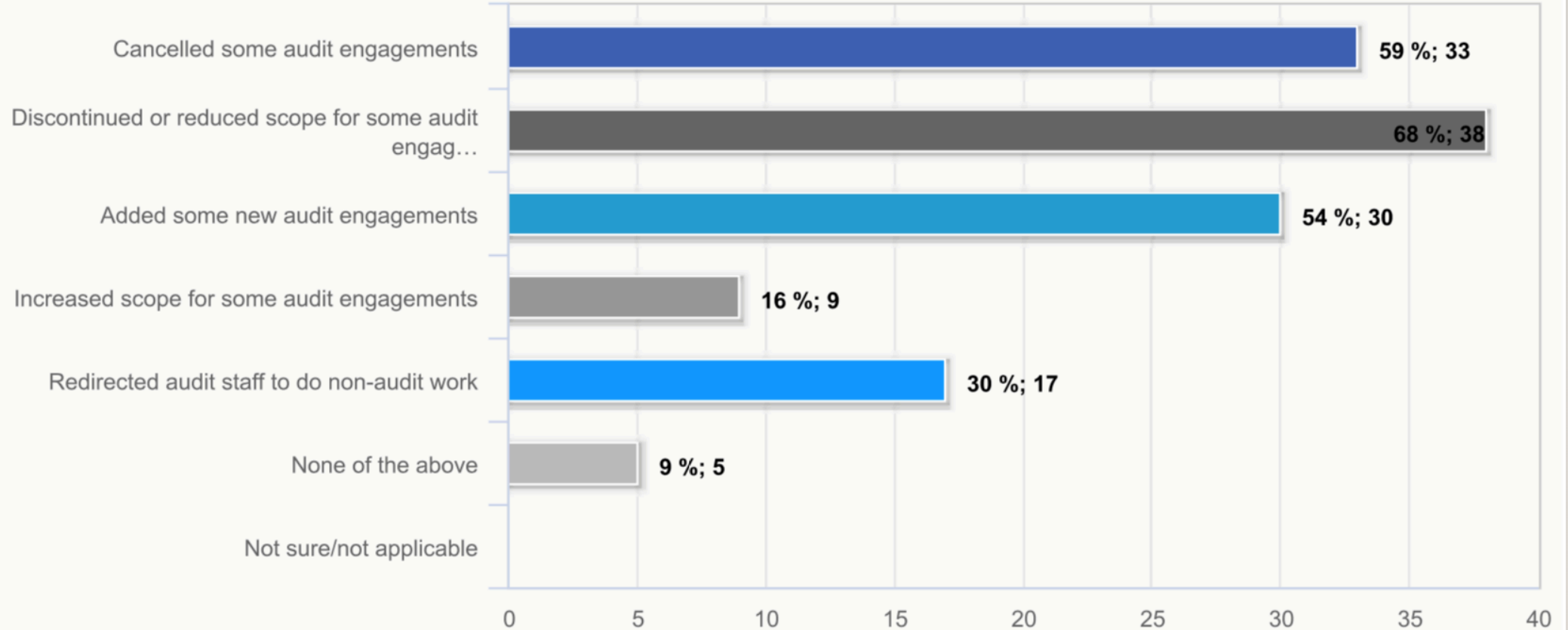
Which employee-focused actions has your organization taken in response to Covid-19 ?



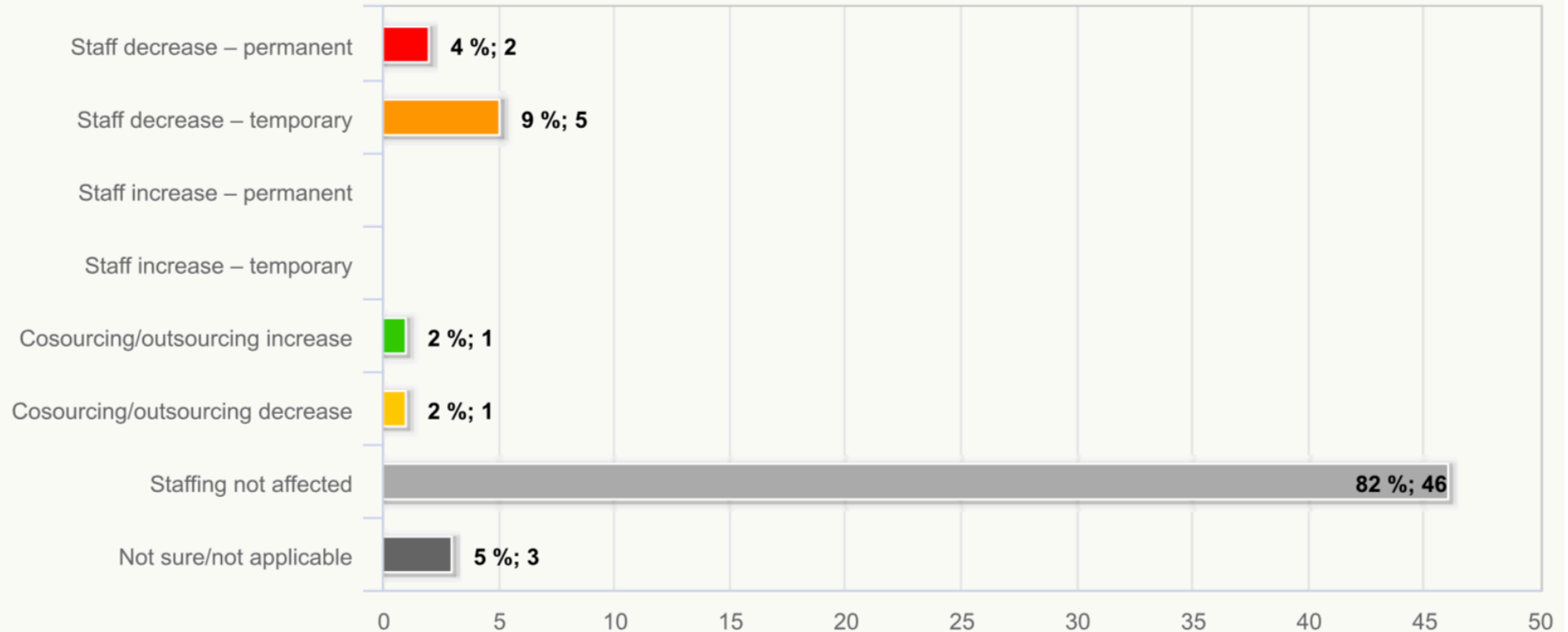
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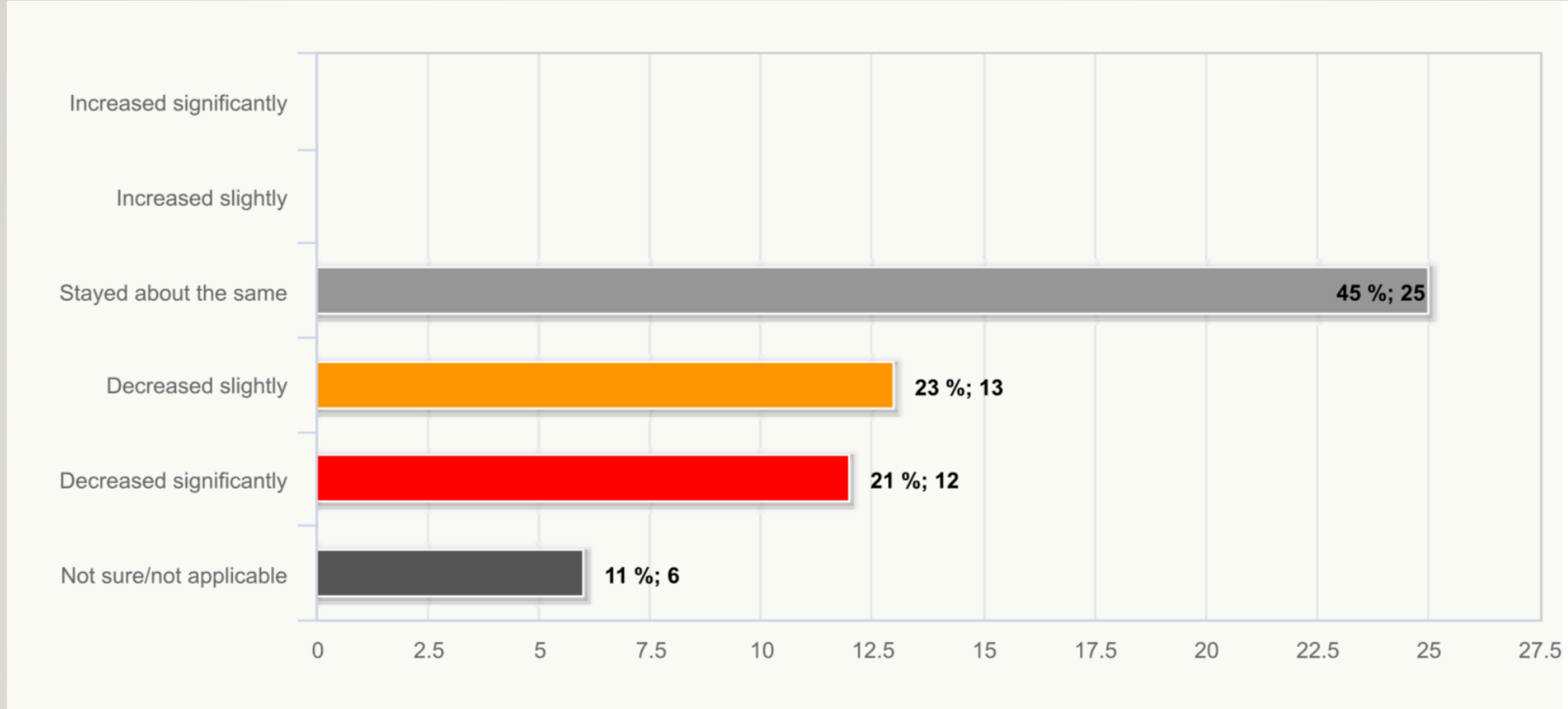
How has your audit plan changed as a result of Covid-19 ?



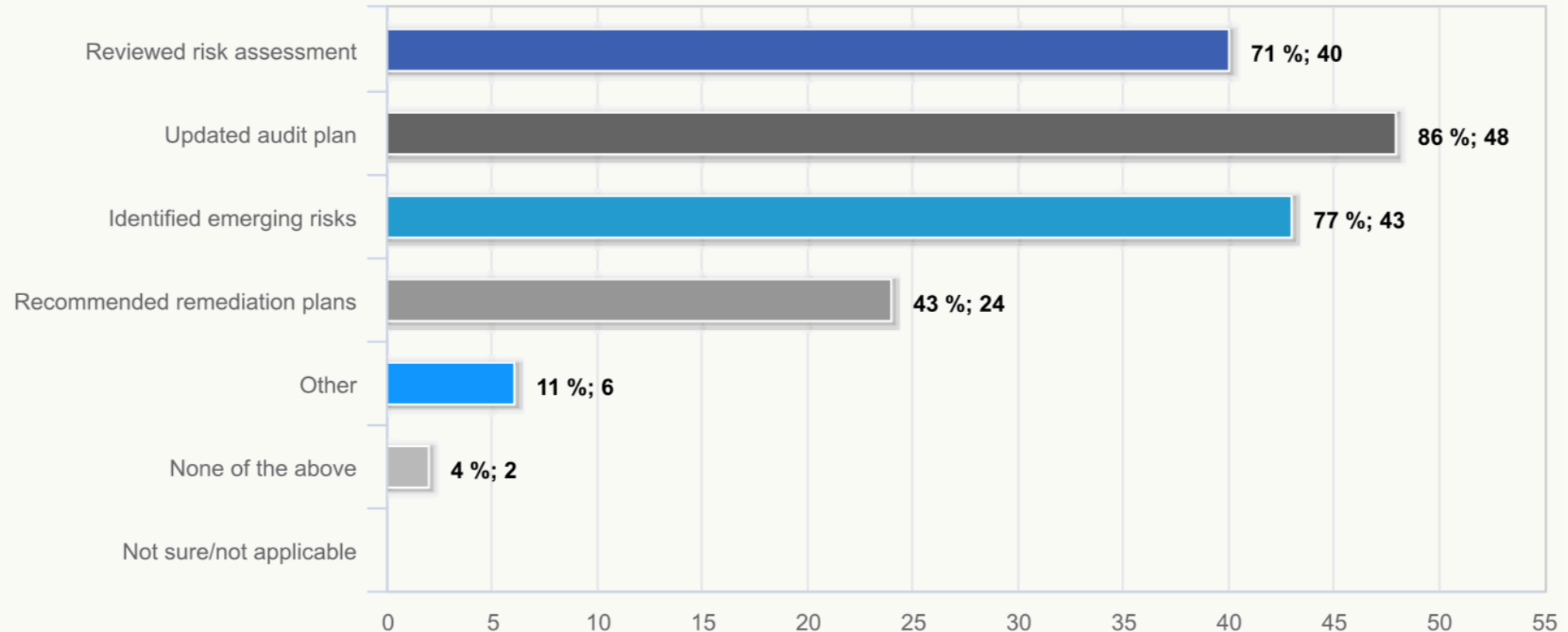
How has your internal audit staffing changed as a result of Covid-19 ?



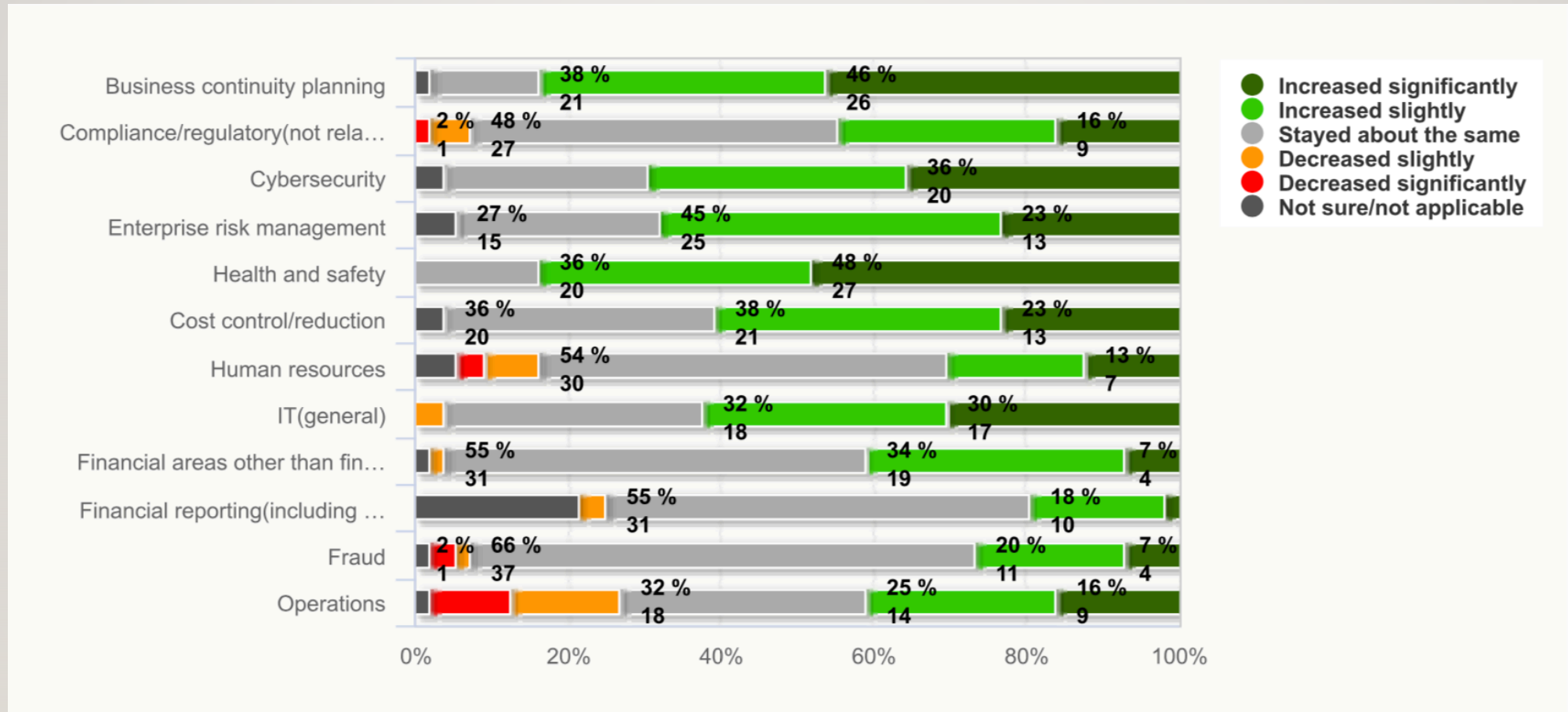
How has your internal audit budget changed in the short-term as a result of Covid-19 ?



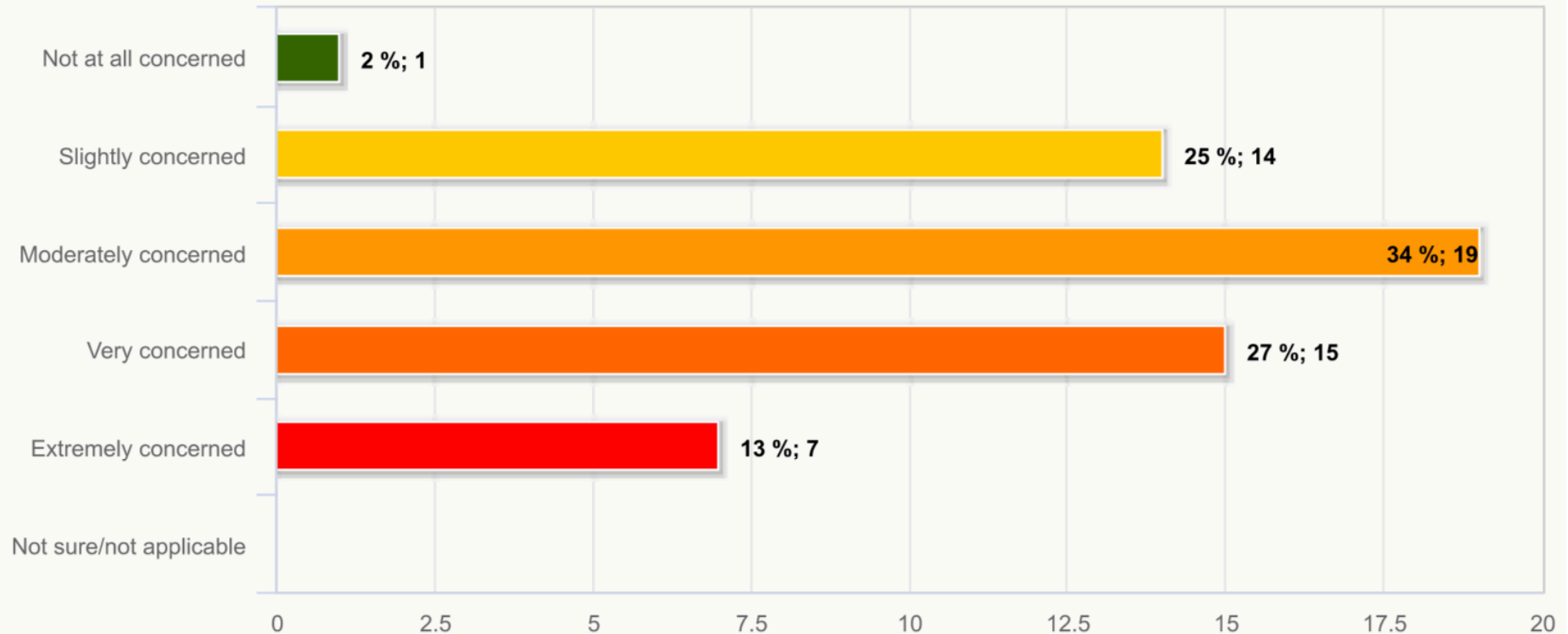
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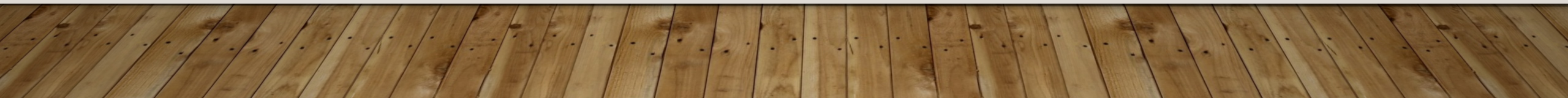
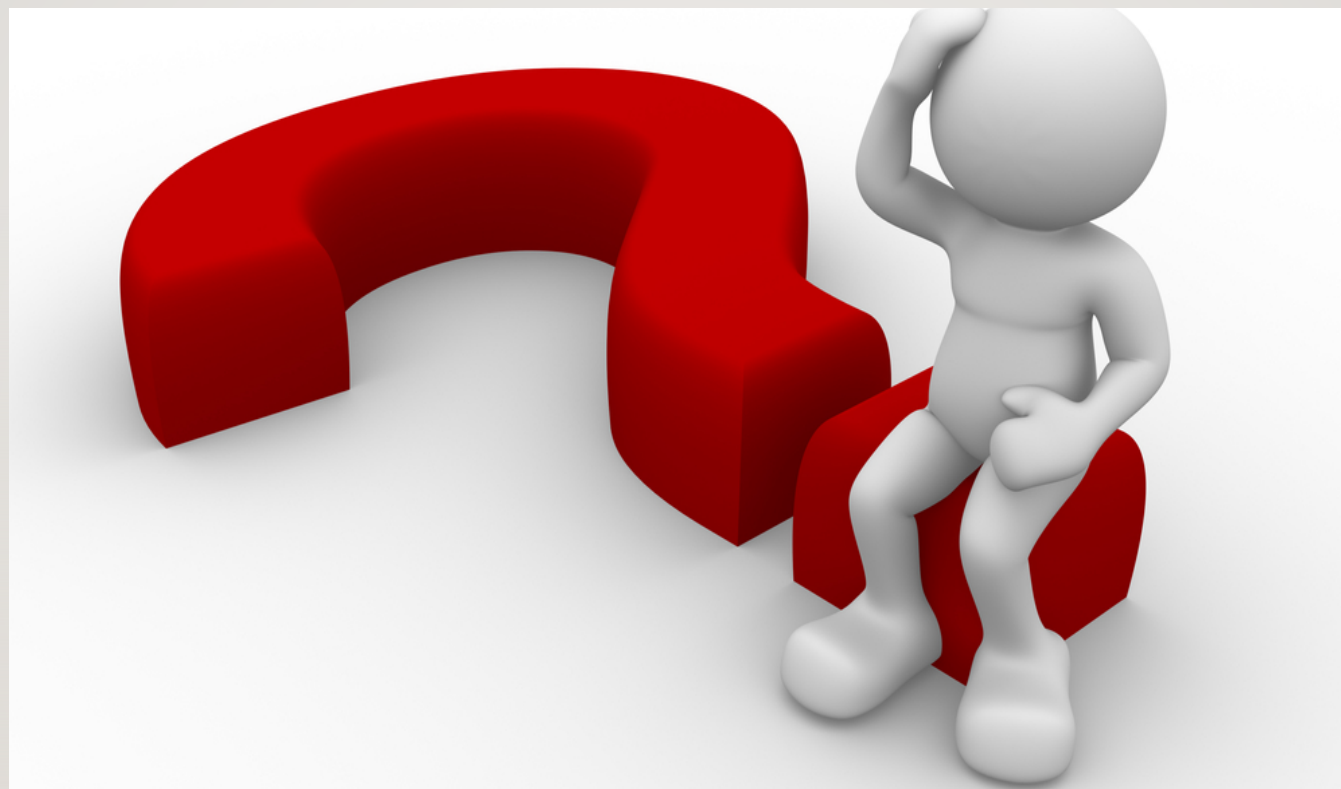


How has your audit effort in the following areas changed as a result of Covid-19 ?



What is your level of concern about the long-term viability of your organization as a result of Covid-19 ?



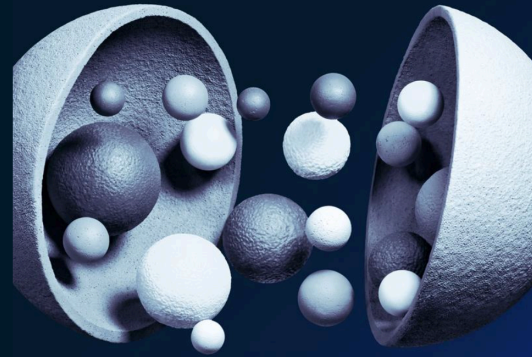


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- III. **Internal Audit Roles under 'New Normal' to business recovery**

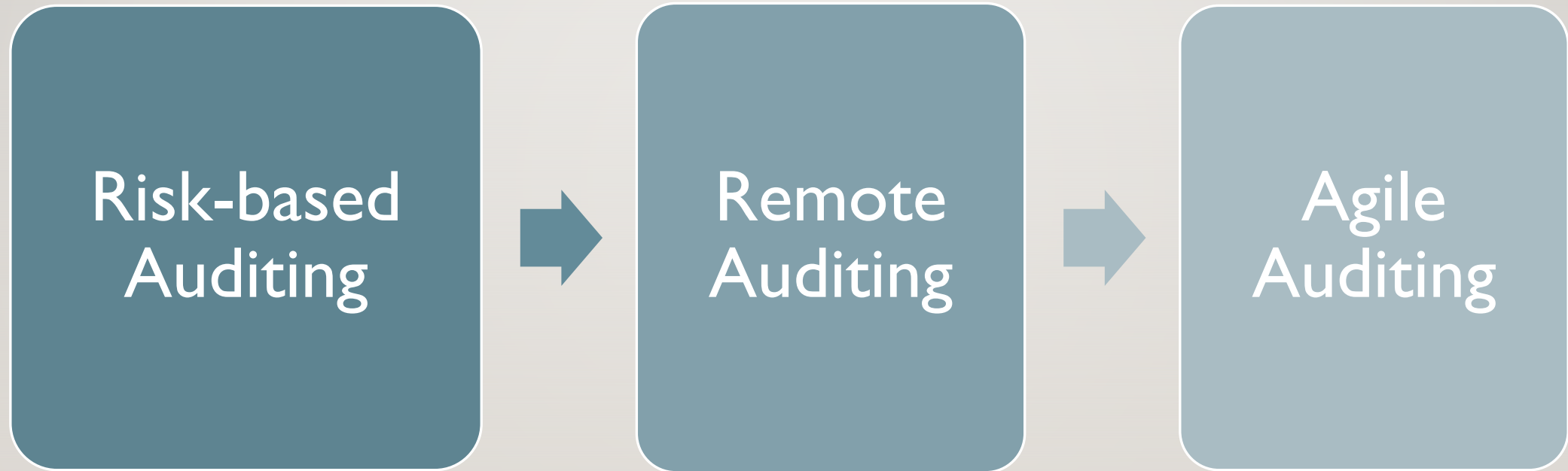
COVID-19: Implications for business

July 30, 2020 | Executive Briefing



“Economic recovery depends on the return of the consumer—but shopping will never be the same.”

INTERNAL AUDIT APPROACH OR METHODOLOGY



Agile Internal Audit methods work to shift internal auditors' mindsets and processes by pursuing:

- **Clearer outcomes.** Rather than, for example, open-ended reviews or audits in search of findings, Agile Internal Audit methods aim to confirm or disprove a hypothesis or support a point of view (mindset shift). That way, the audit or project targets an outcome, which guides the fieldwork and reporting (process shift).

Agile Internal Audit methods work to shift internal auditors' mindsets and processes by pursuing:

- **Increased engagement.** While maintaining objectivity, internal auditors—in collaboration with stakeholders—prioritize areas, issues, and risks (mindset shift). This helps them identify needed resources and focus their work on factors that determine business performance and value (process shift).

Agile Internal Audit methods work to shift internal auditors' mindsets and processes by pursuing:

- **Improved documentation.** Instead of feeling the need to explain every step taken and justify it through exhaustive documentation (mindset shift), agile internal audit frameworks can deliver briefer, timelier reports with fewer words and more visuals (process shift).

WHEN SHOULD IA CONSIDER AGILE AUDIT APPROACH ?

- Need to complete more audits in the same (or less) time
- Promote closer relationship with stakeholders
- Deliver more relevant, higher impact reports with less documentation
- Need to respond quickly and effectively as strategies, priorities, technologies, competitors, regulators and risks evolve.

YES OR NO?

“Will agile auditing replace risk-based auditing as the standard internal audit approach ?

Becoming agile

A guide to elevating internal audit's performance and value

Part 1: Understanding agile internal audit

My Perspective: INTERNAL AUDIT ROLES IN BUSINESS RECOVERY

- **ASSURANCE Provider**

Confirm that the organization has the plans and structures in place and is adequately protected, relative to an overall risk management plan.

Take the strategic perspective, use subject matter experts, create buy-in and size to fit.

My Perspective: INTERNAL AUDIT ROLES IN BUSINESS RECOVERY

- **INSIGHT Provider**

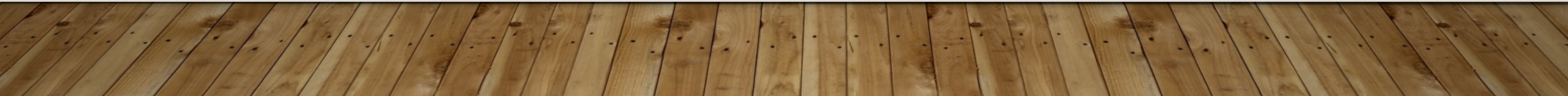
Audit at the speed of risk. Adopt strategies for more timely report results – share the results as the audit unfolds, reduce or even eliminate levels of review for draft results, collaborate to expedite, reimagine reporting.

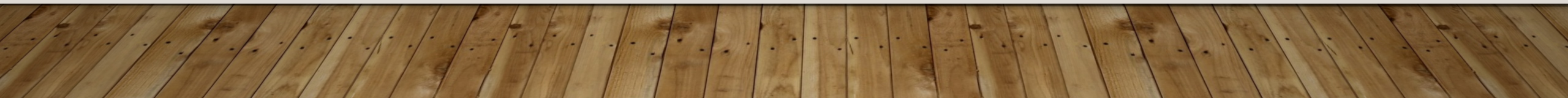
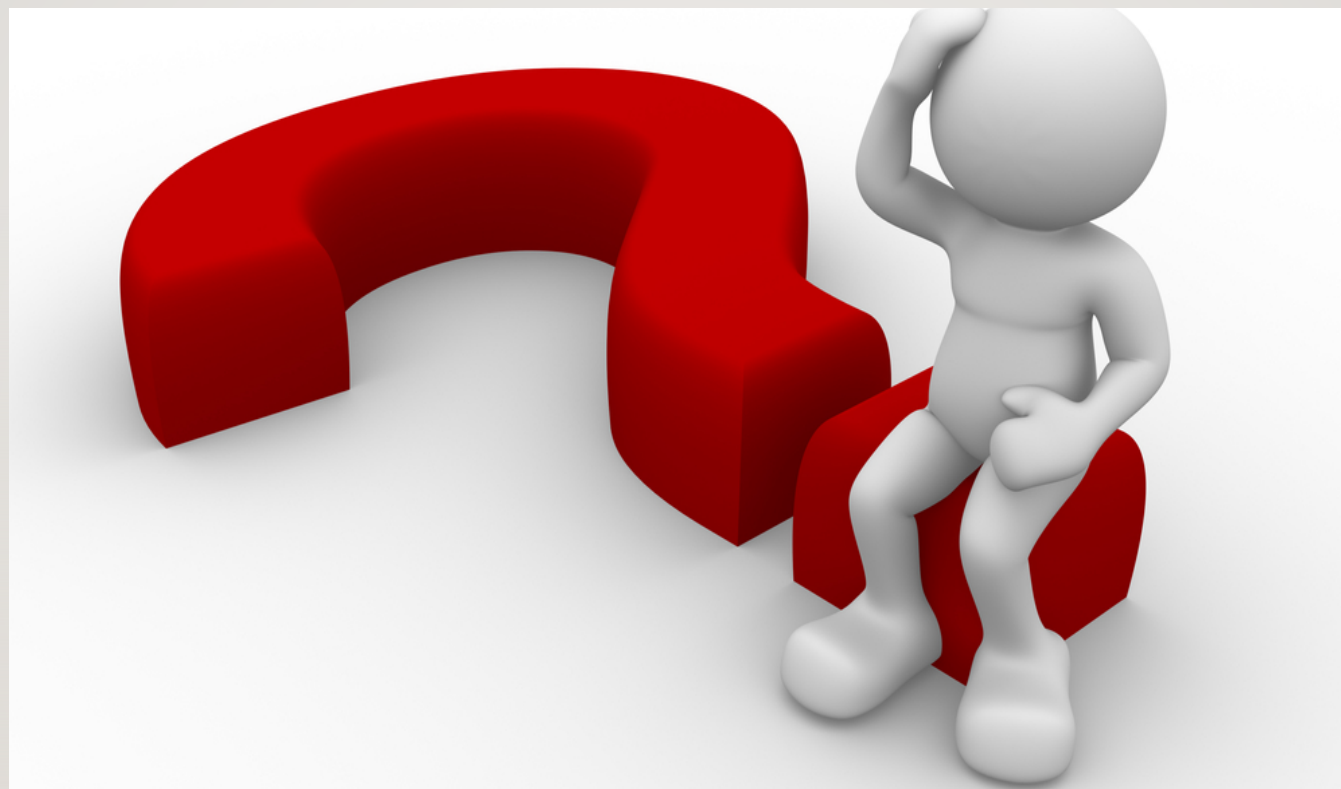
(Ref. Richard Chambers “Reporting at the speed of risk: 4 Strategies for success. June 8, 2020)

My Perspective: INTERNAL AUDIT ROLES IN BUSINESS RECOVERY

- **TRUSTED Advisor**

Be courageous. Offer advice on critical issues and effecting positive outcomes to gain stakeholder's confidence. Be the conscience of management.





REFERENCES

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- <https://blogs.adb.org/blog/asia-cautiously-getting-back-to-business>

THANK YOU

