

INTERNAL AUDIT UPDATE

**Role of Internal Audit in
Business Resilience During
Covid-19**



ROLE OF INTERNAL AUDIT IN BUSINESS RESILIENCE DURING COVID-19

Need for Internal Audit in Covid-19 situation:-

- ❖ Organizations around the world are struggling to tackle with business disruption from COVID-19—and a lot of this responsibility falls on internal audit to help the organizations to examine and authenticate the strategies and plans made by the senior management.
- ❖ Risk Management and recommending controls over high risk areas is the expertise of internal audit teams. And right now—as leaders and boards grapple to identify direct and indirect COVID-19 related risks and adjust to a new normal, internal audit's assessment and assurance roles have become much more invaluable.

Ways through which internal audit strive to bring more value to the organizations:

1. Independent assessment of the going concern assumption:

- Management must make the going concern assessment based not only on information that exists on the balance-sheet date but events occurring after the balance-sheet date for conditions existing at the balance-sheet date. As Covid-19 was declared as a global pandemic by the WHO before March 31, 2020, the financial reports prepared for the financial year 2019-20 should reflect a post-Covid going concern assumption.
- While the management is primarily responsible for the going concern assessment, the auditors are required to provide their opinion by applying professional judgment and professional skepticism based on the management's representations and their independent assessment.
- While assessing the going concern assumption, the management (and the auditor) will have to consider all available information and make reasonable estimates and judgments about current cash flows and future profitability, liquidity and solvency issues like debt repayment, borrowing options, financial conditions of key customers and suppliers etc.

2. Assessing the procedural and strategic developments made by the client

- Various measures are taken by the management demonstrating strategic developments by each passing day to fight COVID situation for ex Minimizing loss of revenues, recovery from receivables, dealing with disruption in operation, management of human resource working from home, prospective saving areas, lack of demand consequent impact of economic slowdown.
- These are certain key aspects which require comprehensive monitoring on part of the internal auditors.

3. Review the new business process related to business continuity implemented by the client to deal with covid-19:

- Business heads and departmental heads are concentrated to make Business Continuity Plans and are redefining the processes to run business smoothly and reshaping the process and procedures so as to align it with current situation.
- Now, such process documentation should be tested for its design and operating effectiveness by the internal auditors as part of BCP review to assess continuity in business processes.

4. Plan for taking the best advantage of employees working from home and imparting regular trainings

- Immobility of staff in view of the current scenario availability may impact segregation of duties and other challenges due to COVID 19 situation. HR should play an important role in keeping the staff motivated whilst working in remote environments by arranging weekly catchups, daily stand-ups, virtual coffee sessions, virtual town-halls, sharing success stories, future plans of the company etc to develop belongingness.
- Internal auditors must review the 'Delegation of Authority' ('DOA') matrix and recommend suitable Changes to adopt to current scenario.

- As part of the plan to deal with the current situation, internal auditors must focus on measures taken by the organization to manage the staff working from home and what policies are put in place by departmental heads to reduce the staff downtime and bring out the best from them.

5. Provide data-backed information to the management to drive decision-making in the organization

- By now, most organizations would have redirected their risk expertise to respond to the pandemic. Initial strategic responses by the auditors were focused on assessing short-term impact. Including--Providing COVID-19 updates to the board, Revising the business continuity plan, Evaluating third-party relationships
- Internal auditors are key to providing the data-driven short-term risk indicators that support confident decision-making during this uncertain time. This is important to both the leadership team and the entire organization, as it helps everyone stay focused on meeting objectives and mitigating risks.

6. Shift from traditional audit procedures to some new set of procedures:

- Traditional ways audit entails physical presence at the client's premise and in-person meetings with the client
- The traditional audit plan might not work in this situation, so it might be time to investigate an agile approach and make audit practice in line with current situation.
- If an internal audit 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 internal audit be able to use those feeds to check whether critical physical controls are still working. There's a core focus on collaboration and communication between the audit team and stakeholders throughout the entire experience.

7. Keep audits on track with technology

- In these unprecedented times where travel restrictions have been imposed globally amidst countrywide lockdowns; physical presence in client meetings and access to client premises is completely prohibited as part of the safety measures.
 - Use of technology such as cloud computing in obtaining audit evidence and conducting audit offsite is the new normal in the field of audit.
 - The planned audit approach may need to change and adapt to the alternative procedures for obtaining audit evidence for ex login access to client cloud platforms enabling internal auditors to remotely have electronic access to source information
 - Conducting audit interviews and meetings through secure video conferencing platform
 - Workflows that keep remote auditors informed of all stages of the audit and helps in clarity of their role in conducting audit
 - E-library of documentation, templates, and workflows must be maintained so as to keep the audit at everybody's fingertips.
 - A complete audit trail must be kept to track everything and ensure your audit work remains defensible to regulators and external auditors.
- ❖ Internal audit Expertise will help the organization to become resilient in coming out from the COVID 19 impact. It will only help to monitor the ongoing practices of the company and reporting the same to the higher management but shall also strive to provide invaluable recommendations in such times.

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