COVID-19
RESPONSE STRATEGY

Evolving Internal Audit
Practices for Success

AUDITBOARD

The Unique Business Challenge of Coronavirus

As cities and countries enforce various shelter-in-place and social distancing rules, the Coronavirus (COVID-19) pandemic has uniquely interrupted modern business operations in a scenario that continues to play out in real time. While most enterprises have established Disaster Recovery and Business Continuity Plans for interruptions such as cybersecurity attacks or natural disasters, many of the assumptions underlying such plans do not hold true for a pandemic such as COVID-19.

As evidenced in businesses across the world, it is people — rather than infrastructure — that have become unavailable as entire workforces have gone remote for an undefined period to prevent the further spread of the virus.
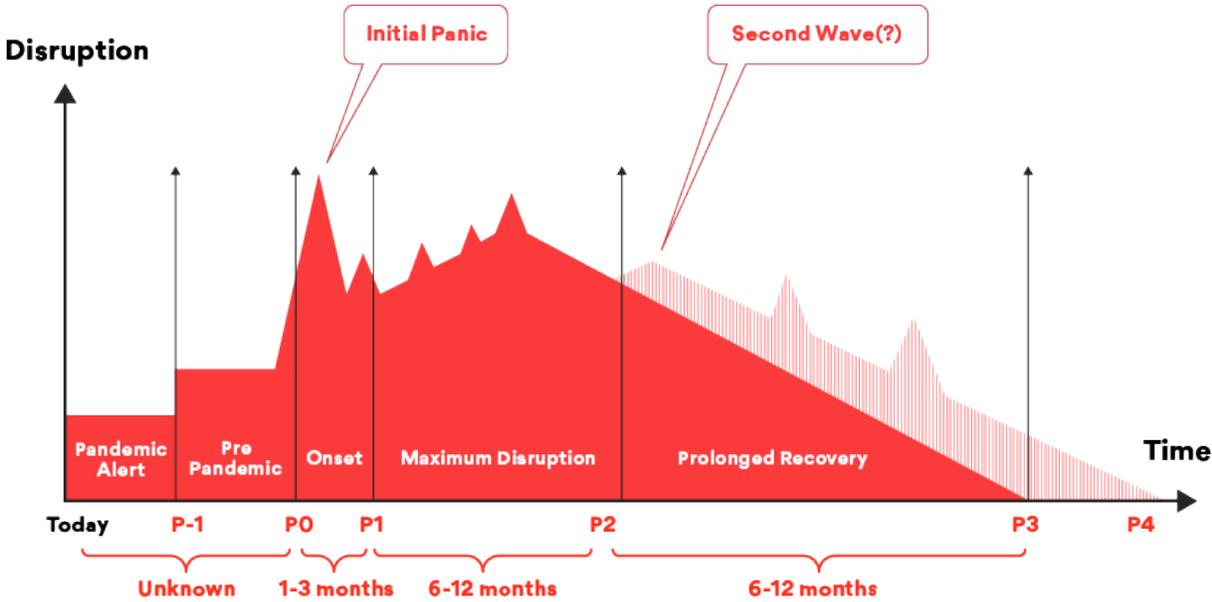
Pandemic Timeline

Figure 1. "Planning for a pandemic: is your business prepared?," The Chartered Institute for IT

Some challenges organizations face in the current environment include:

- Lack of necessary technology and equipment for remote workers
- Lag time for VPN access
- Not enough teleconferencing licenses
- Employees' home WIFI has low bandwidth
- Security & Secrecy rules
- Strain on supply chain
- Delayed communication
- Reduced productivity

During this time, internal audit, compliance, and risk leaders will play a critical role in enabling executive leadership to respond to this ongoing crisis and keep their employees safe with minimal disruptions to business operations and shareholder value. Now, more than ever, organizations will need to rely on an adept Internal Audit function to provide direction and assurance on the organization's critical processes and departments. This whitepaper will detail ways Internal Audit can provide valuable leadership and guidance for the organization to respond to the COVID-19 pandemic and continue to meet its business objectives.

Identify Problem Areas and Key Risks

One of the most effective ways Internal Audit can support their organization during this time is by performing an impact assessment of key business units, focusing on people, processes, and technology. As your organization adjusts its workforce infrastructure to meet operational needs, aim to quickly survey key business unit leads and collect information on areas impacted by the pandemic and the risks to the business. Virtual tabletop procedures or a light risk assessment can be employed to conduct this survey. The goal of this assessment is to help the organization assess and prioritize its response strategy based on areas where help is needed most.

1 Identify the Key Risks Associated with Your Organization's Coronavirus Response Thus Far

Identify, assess, and prioritize essential business functions and processes that may be affected by the pandemic. The following are potential risk areas and sample questions to ask when assessing them:

Telecommunications

- What are the risks associated with my workforce going remote, e.g. impacts on employee morale and productivity?

- Is the required equipment available for employees who switch to remote working?

- Are there enough teleconferencing licenses?

People and Organizational Risk

- Who are the critical or essential employees that need to be connected to keep the business operating?

- Is a skeleton crew needed?

- Can individuals access offices or facilities if necessary?

- Is there a command structure in place?

Process Risk

- What are the risks associated with key processes and business units?

- What are the inputs and outputs of those processes?

Supply Chain and Outsourcing Risks

- Are there supply chain constraints?

- Are there outsourcing risks?

- What is the financial impact to the business?

System and Security Risks

- What are the security risks with most of the workforce being remote?

- Are there controls in place for tagging equipment if it is taken out of the office?

- Do employees have access to essential equipment and technology to complete their jobs remotely?

- What critical or sensitive information will employees need to access remotely, and how will they access it (e.g. next-generation technology)?

- What controls are in place for protecting that information?

2 | Reassess and Update the Business Continuity Plan

Leveraging the results of a pandemic impact assessment, identify potential control gaps, mitigating/monitoring activities and resources the business will require to continue operations from a people, process, and technology standpoint. In addition to assessing basic team functions (onboarding, training, work tasking, status reporting), plan to assess and update the following areas of your business continuity plan:

- **Emergency Management Plan and Structure**: Align your policies with existing crisis management and emergency plans, and include a chain of command structure to sustain business operations and communication with employees.

- **Employee Health and Safety**: Include plans for likely shortages of employees, personal protective equipment, health care services, and public transportation.

- **Internal and External Communications**: Realize that the organization will require accurate and current information sources. New communication mechanisms may be necessary to reach a disrupted and decentralized workforce.

- **Security**: Decide how to protect critical assets in short supply, and how you will deal with possible public panic and disorder, fewer security guards, and strained law and order.

- **Information Systems, Technology, and Databases**: Consider how power shortages or lack of personnel may disable normal systems and secure remote-access systems needed for continuing business operations. Determine how to deal with the limited IT infrastructure in some countries and/or government-rationed phone lines.

- **Supply Chains and Critical Inputs & Outputs**: Take into account which critical items might not be available if the just-in-time supply chains break down. How will your business cope if shipping is disrupted, borders and ports are closed, outsourced operations are disrupted, and/or there is a shortage of dock workers and truckers?

- **Public and Media Relations**: Plan ways to provide timely, accurate, and reliable information to the public. Manage expectations, understand and explain the role of your business in the community, and provide consistent messaging.

- **Legal Issues**: Consider how to implement and comply with new mandates, practices, and laws or regulations such as tracking and monitoring employee health. Understand and plan for the legal ramifications of changing work environments, including work-at-home or alternative sites.

- **Government Considerations**: Plan ahead for the possibility that new emergency powers may be introduced and prepare for their potential impact. Determine how to handle regulatory reporting changes and government interventions such as extended quarantine, isolation, travel restrictions, and possible border closings.

- **Business Continuity and Survival Strategies**: Prepare for months-long operational changes, sick or unavailable leadership, and operations that need to be consolidated, diversified, or closed.

Additional Considerations

- **Critical Service Providers**: Evaluate the plans of critical service providers for operating during a pandemic.

- **Necessary Technology and Equipment**: Understand your remote working capabilities and ensure that all employees who need to work remotely have access to those capabilities. If there are any special technology considerations, such as roaming Active Directory profiles, consider allowing employees to work at different branch locations and make sure configurations are current and functional.

- **Workforce Locations and Travel**: Review workforce locations and travel to establish exactly how many workers are in affected or vulnerable territories. Do any employees need to be repatriated? Have they asked to work from home? Upcoming travel plans will need to be reviewed, rescheduled, or canceled.

- **Employee Cross-Training**: Who are the teams and individuals on whom critical processes or services depend? Are there workers with the right skills who could step into critical roles if needed? Call centers, warehouses, manufacturing facilities, and shared service centers are potentially vulnerable if the virus continues to spread — can steps be taken to reduce the level of human interaction, such as staggered shifts or remote working? Ensure cross-training has been completed to a satisfactory degree and that employees are comfortable with their alternative responsibilities.

- **Supply Chain and Key Resource Needs**: Obtain a clear understanding of your supply chain — starting with the most critical products, looking at your primary and secondary suppliers, and continuing down to the raw materials if possible. For example, if your products contain a component from a country that becomes isolated, is there a secondary supply — and what if they are shut down as well? Contingency plans can run into difficulty quickly if the virus spreads, borders close, and travel between countries, states, and cities become restricted.

Develop and Evolve New Mitigation Strategies

Pandemic response and mitigation strategy is and should be in ongoing development. Events, especially during this pandemic, are constantly unfolding — and the latest developments can signal new phases in the pandemic that require different courses of mitigating action. Thus, updating intelligence and reframing overall perspective from a people, process, and technology standpoint on a daily basis is imperative.

Tips:

- Update intelligence on a daily basis and reframe overall perspective accordingly

- Beware of hype cycles in the news

- Do not become complacent

- Consider technology that can be quickly implemented to enhance and improve communication and collaboration

- Assemble a small trusted team and give them enough leeway to make rapid and tactical decisions on behalf of the business

Continue developing and evolving mitigation strategies to ensure business continuity in the coming weeks and months. The following are suggestions to guide teams:

Create a Pandemic Task Force

Avoid the "too many cooks in the kitchen" scenario for your leadership team. Streamlining trusted input from the C-suite, legal, business affairs, internal audit, risk, and compliance leaders is crucial to avoid becoming bogged down in bureaucracy when responding to time-sensitive new information. Support your leaders in designating an agile pandemic task force that is vested with the authority to make critical decisions without being slowed down by process.
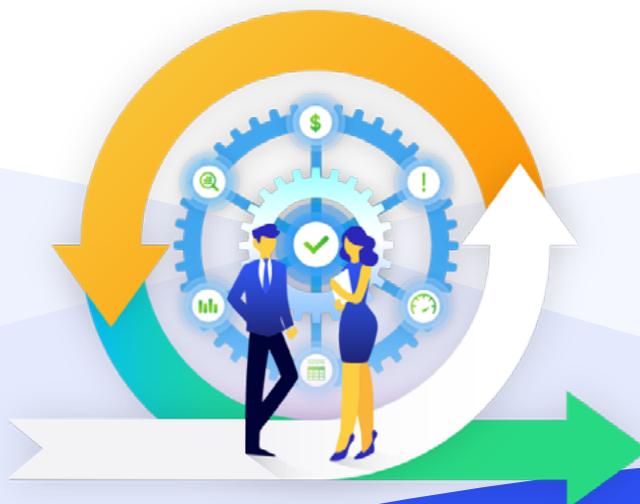
Create a Living Pandemic Document for Leadership to Reference

Create a single source of truth for business leaders to access information regarding COVID-19 developments and their implications for the business. Ideally, someone on the pandemic task force should be entrusted to update this on a daily basis to prevent version control issues. According to Boston Consulting Group, a document with a time-stamped "best current view" is essential to learn and adapt in a rapidly changing situation, and provides the traceable source upon which business decisions are made.

Consider Technology Solutions

Is there technology — for instance, an audit management solution — that should be in place that could streamline critical processes important to the business and support remote work? If you do not have a cloud service provider that enables remote access to systems, work with IT to determine which provider is the best fit for your organization.
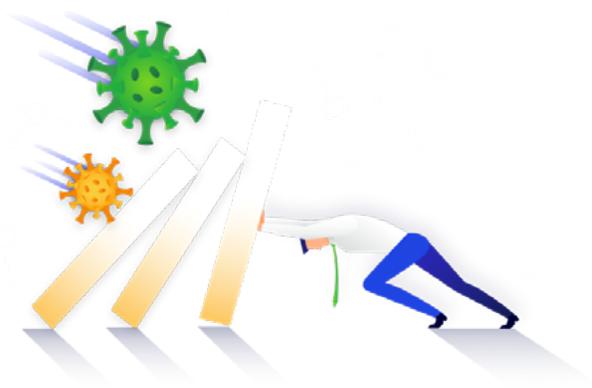
Consider How to Communicate with Employees and Customers

It is essential that organizations communicate effectively with their workforce and their customers during this time. As executive leadership makes decisions in real time based on the latest information (per the living pandemic document referenced above), be sure to communicate new and changing policies promptly, clearly, and in a balanced manner to employees and customers alike. One best practice is to create a hub for daily employee information needs as well as a separate hub for crisis updates and communication for customers.

Use Resilience Principles in Developing Policies

Efficiency is highly valued at any time, but research from the Boston Consulting Group demonstrates that the key to managing unpredictable and evolving challenges such as COVID-19 is resilience. Consider the following resilience characteristics as you make decisions during this time:

Six Common Characteristics of Resilience

1. **Redundancy**: Securing access to additional manufacturing capacity can help smooth supply chain fluctuations. In the short term, companies may need to look beyond normal sources for solutions.

2. **Diversity**: Diversifying fulfillment approaches can create greater flexibility and resilience in crisis situations. A diversity of ideas from different people can also greatly enhance solution development, e.g. the benefit of a cognitively diverse pandemic task force that can generate different potential solutions.

3. **Modularity**: Highly integrated systems may be efficient, but can become vulnerable or collapse in crisis. In contrast, modular systems — where factories, organizational units or supply sources can be combined in different ways — offer greater resilience in times of disruption.

4. **Evolvability**: Consider building systems for evolvability in addition to optimization. Lessons learned from COVID-19 can be incorporated later, but in the short term, trying new things and remobilizing around the results is likely to be the most effective strategy.

5. **Prudence**: It would be prudent for companies to take a fresh look at worst-case scenarios and develop contingency strategies against each.

6. **Embeddedness**: Considering solutions in the context of the supply chains or ecosystems the organization is embedded in is beneficial to creating goodwill and trust.

Looking Forward

With challenges come the opportunity for positive change, and internal audit departments are presented with the unique opportunity to prove their value by helping businesses throughout this crisis. Companies will look to the leadership of their executive teams, and Internal Audit can play an essential part in helping those leaders prioritize and evolve their response strategies. By following the guidance outlined in this whitepaper in leading the organization's pandemic response, Internal Audit can help the organization ensure the continuity of business operations and the safety of its employees, vendors, and customers during this crisis.

Contact Us

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AUDITBOARD

About AuditBoard

AuditBoard is the leading cloud-based platform transforming how enterprises manage risk. Its integrated suite of easy-to-use audit, risk, and compliance solutions streamlines internal audit, SOX compliance, controls management, risk management, and workflow management. AuditBoard's clients range from prominent pre-IPO to Fortune 50 companies looking to modernize, simplify, and elevate their functions. AuditBoard is the top-rated audit management software on G2, and was recently ranked as the third fastest-growing technology company in North America by Deloitte.

For more information: www.auditboard.com