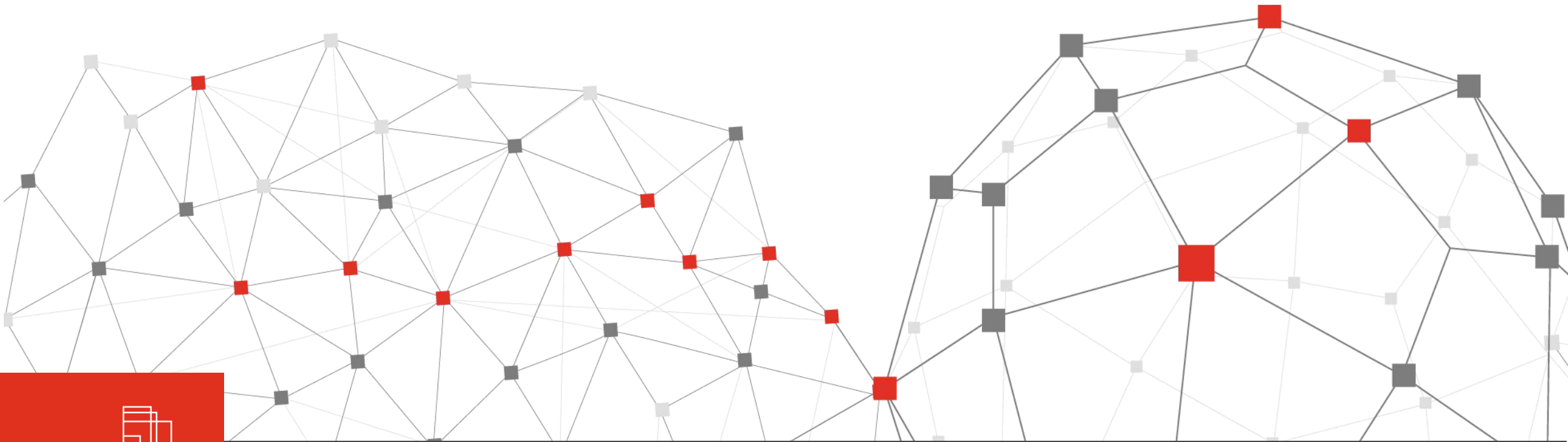


Coronavirus (COVID-19)

Internal Audit response



As the international response to COVID-19 continues to develop, we know that organisations are facing potentially significant challenges to which they must respond rapidly. We are working closely with organisations globally to help them prepare and respond.

We are currently facing a major change in our personal and work lives. Internal Audit has an important role to play as an advisor and assurer to the business and to guide decision making at the highest level. As the crisis evolves over time, it is important to plan for disruption and adjust our focus and ways of working accordingly.

Internal Audit has a vital role to play in guiding the organisation through the pandemic. All businesses will be affected to varying degrees. Many will face challenges around working capital, workforce management, operations and the supply chain. Internal Audit functions will need to navigate those challenges carefully to ensure they are focussing on what is going to be most relevant to the organisation. Some in-flight reviews will need to be deferred and replaced with more hands-on advisory support from Internal Audit in order to ensure the business response is robust and appropriate.

This document outlines some ways an Internal Audit function (or your outsource or co-source partners) can add real value in the business response to COVID-19.

The role of Internal Audit in a crisis

There are some key considerations which will help your Internal Audit capability focus on your organisation's strategic and risk priorities over the course of the pandemic.

Re-prioritising and re-focusing internal audit activity to the risks and business processes that really matter:

- Immediate involvement and review of the business COVID-19 response
- Assess heightened fraud risk
- Re-prioritise reviews and IA activity
- Trial new ways of remote working
- Leverage data analytics for effective remote auditing

P3

Use any 'down-time' to review your governance model, repurpose your team and prepare for the future:

- Conduct staff training
- Secondment of staff into high priority business process areas
- Perform an 'EQA Lite' assessment
- Review methodology and practices
- Consider the opportunity to embed new IA technology
- Conduct a lessons-learnt exercise

P4

We have shared examples of ways we can work with you during the COVID-19 situation and included some supporting material for your use.

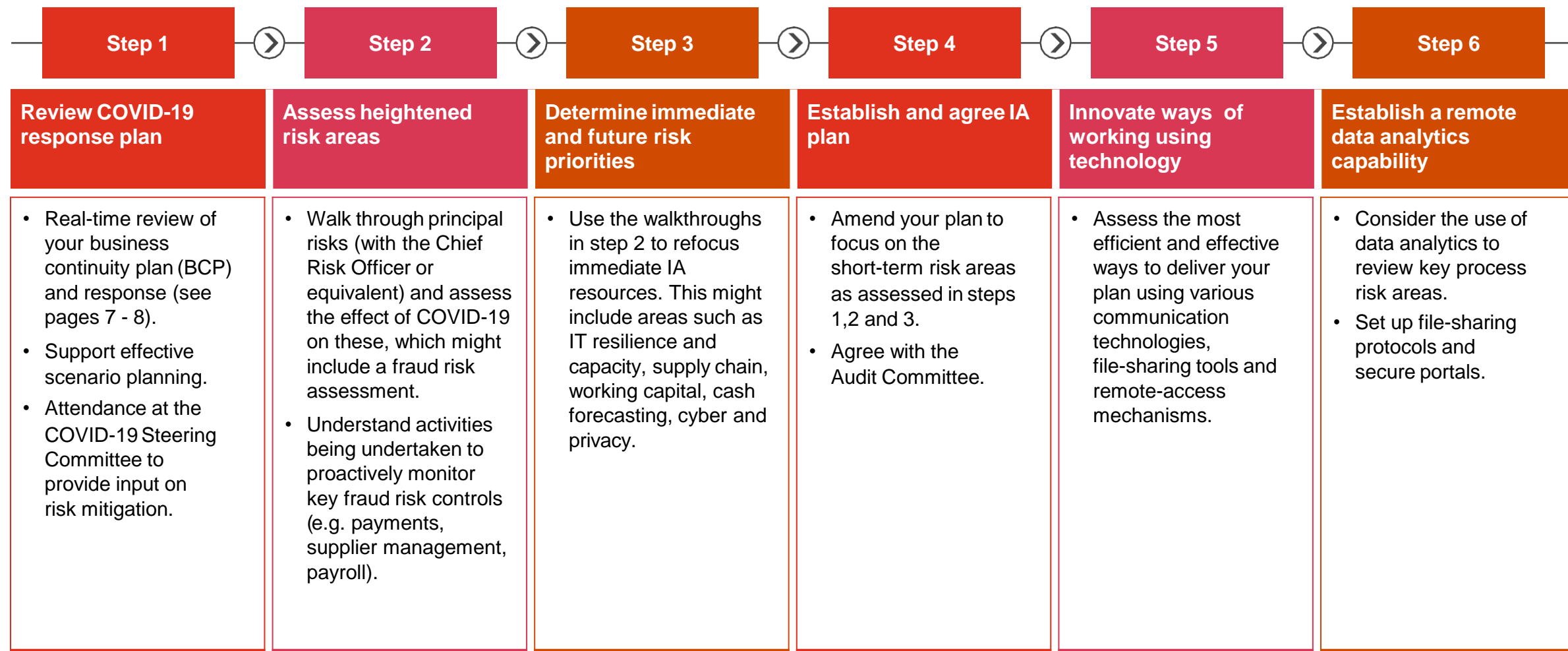
Ways that PwC can help you implement a strategic, forward-thinking and value-adding Internal Audit capability during your COVID-19 response

P5

Areas of focus for a crisis response review and top-level risk reviews

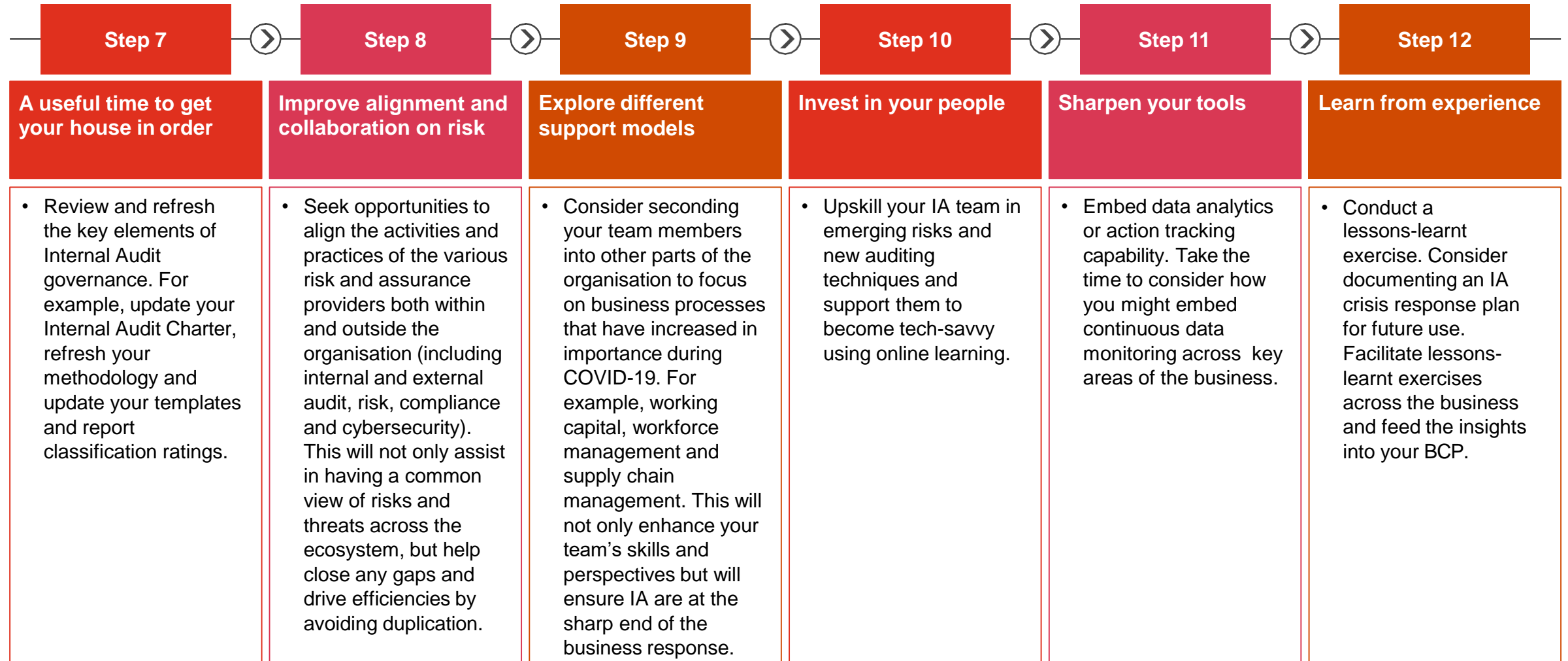
P7

Re-prioritising and re-focusing Internal Audit



Time to think, time to plan, time to get ahead

The current situation may allow capacity to revisit and invest in areas that you perhaps haven't had time to drive enough focus on for a while. Make the most of this opportunity to refocus, re-energise and refresh.



How PwC can help

COVID-19 response plan review

Assessing whether the response plan and governance is appropriate, sufficient and complete (see scope areas on the following pages) using a ToR and methodology we have developed.



Crisis risk assessment

We can help you reassess and critically challenge your risks, with an external perspective and experience, and prioritise new more relevant reviews while focusing on key fraud and security risk areas. Later in this paper we include some focus areas for top-down risk reviews to help guide your effort.



IA Governance

We can support you in refreshing your IA governance materials by sharing best practice and examples.



Resourcing options

Fill gaps in your resources, particularly specialists, with remote staffing options.



IA Staff training

We can lead staff training remotely; e.g. on emerging risk areas or data analytics using our suite of training materials.



Alignment of risk and assurance providers

We can help optimise structures, methodologies, systems and data across your lines of defence for more coordinated and effective risk insights.



Embedding data analytics

We can quickly activate a data analytics provision.

We can help you to identify data analytics techniques you can embed in your current audits or set up quickly to maintain your assurance provision.

We can undertake the analytics remotely using data sent via our secure portal and provide you with insights for analysis.

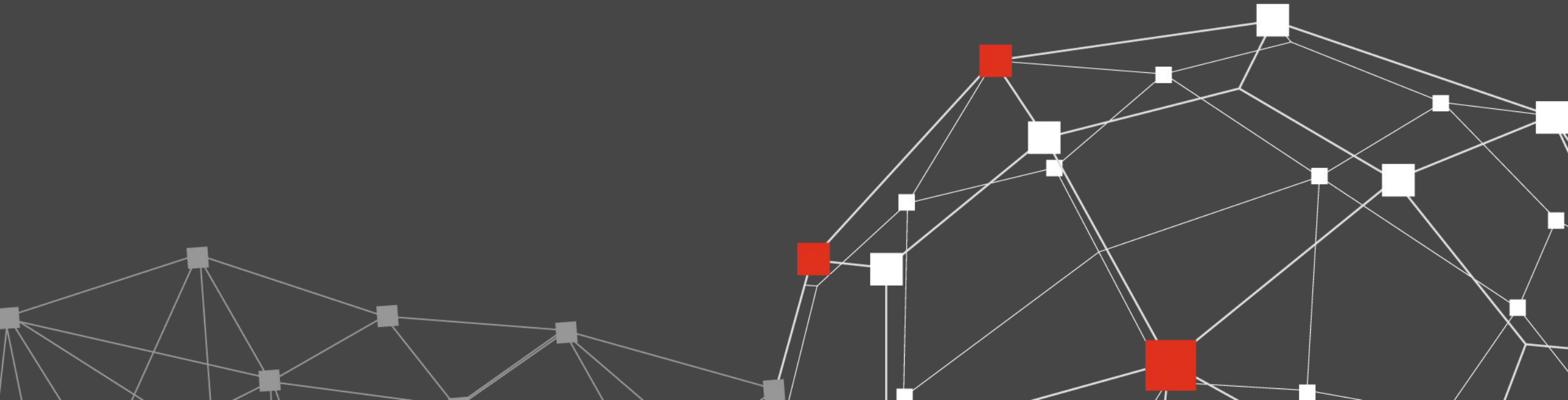


Facilitate lessons learnt sessions

We can independently facilitate exercises to gather and understand lessons learnt either from a business-wide perspective or focussed on IA's response.



Supporting materials



Coronavirus (COVID-19): Key risk areas of focus for a BCP or crisis response review

We have used these critical areas to develop Internal Audit terms of reference that focus on the coverage and content of organisations' BCP.

COVID-19 response strategy

Workforce

Protect your people and plan your workforce

- Have you identified the critical work that delivers your P&L, the workforce that does that work and the capacity of the organisation to move labour to sustain those critical activities?
- Do you have full visibility of your people (geography, nationality, visa status, etc.) and the right processes and systems in place to track and move your workforce, where required, as well as the legal and tax implications of doing so?
- Do you have a system in place to monitor the changing laws and regulations (e.g. travel restrictions) affecting your workforce?
- Have you evaluated your workforce to understand where work levels are likely to decrease or increase due to COVID-19?
- How can you enable flexible or remote working arrangements in the event of travel restrictions or a lockdown, and do you have the necessary infrastructure in place?
- Do you have a comprehensive set of people policies in place that address the risks identified by your scenario planning and any local, legal or regulatory requirements?
- Have you reviewed your HR policies to understand where risks are exacerbated or mitigated and the extent to which this supports or undermines the proposed response (e.g. flexible working, immigration, travel and other relevant policies and regulations)?
- Have you applied risk mitigation to the possibility of employees working while ill? Can you enforce policy changes quickly?

Operations and supply chain

Maintain business continuity and protect your supply chain

- Have key suppliers, such as facilities management and IT service providers, been reviewed considering any requirements that may change during a pandemic period (e.g. increased cleaning regimens)?
- Have you consulted with key third parties to ensure they will be able to continue to deliver desired service levels during the emerging COVID-19 situation? Are you monitoring exposure trends and restrictions against your supply chain?
- Have you performed an operational risk assessment and considered the impact of possible disruptions on critical business functions?
- Do you have visibility of critical supply chain parts and data to properly assess the potential for damage and create immediate plans to respond?
- Do you have any third-party single points of failure?
- Have you performed a risk assessment across all supply chain tiers?
- Have you considered using machine learning to find patterns that can be indicators of risk – or potential opportunities?
- Have you evaluated strategies for alternative sourcing, including the impact of tariffs, on the cost to do so?
- Do you have a communications strategy in place for key supply chain stakeholders?
- Have you activated product redesign and/or material certification resources?
- Have you conducted scenario planning exercises to understand the operational implications, both financial and non-financial, of various scenarios?

Communications strategy

Provide clarity to employees and stakeholders and enable business continuity

- Have you created an internal and external stakeholder map for key communications (considering staff, customers, suppliers, regulators, etc.)?
- Do you have a clear crisis communications strategy that can be implemented to protect your reputation and maintain the trust of your stakeholders?
- How are you communicating with your employees?
- Are you keeping employees regularly informed with updates and guidance?
- Are you providing reassurance and consistent messaging to staff and showing a duty of care?
- Are your crisis communications aligned with your organisation's culture and communications requirements?
- How can best practice approaches be tailored to suit your organisation?

Coronavirus (COVID-19): Key risk areas of focus for a BCP or crisis response review (cont'd)

We have used these critical areas to develop Internal Audit terms of reference that focus on the coverage and content of organisations' BCP.

COVID-19 response strategy

Focus on data

Gain insight and assess your exposure to risk

- Do you understand how a COVID-19 presence in a country or region might impact the commercial performance of your industry, your business, or your suppliers?
- Do you understand the potential impact of a global or country-specific slowdown on your business?
- Are you able to access robust data insights to support the vital decisions you must make?
- Do you have the time and skills to analyse existing data sources in new ways to enable better decisions?
- Are you able to identify new or additional data sources that may be required?
- Are you able to rapidly automate data capture processes for new data sources?
- Can you efficiently blend datasets to reveal insights?
- Do you have the skills and experience to manage sensitive data responsibly?
- Do you have models that answer your questions or issues, including challenging and validating data and model assumptions?

Customers and revenue

Balance customer care with commercial priorities

- Have you updated your sales-and-demand planning strategies, including assessing changes in customer behaviour (e.g. buyer habits)?
- Have you formed a coherent customer communication plan?
- Does your plan help to preserve and enhance customer loyalty?
- Does your health and safety plan extend to customers?
- Do your policies reflect the need to protect both your customer and commercial interests (e.g. updating policies to be flexible on cancellations and changes, rationing products with insufficient stock, and maintaining sales to top customers)?
- Have you evaluated your competitive position under the new environment, identifying both risks and opportunities?
- Have you identified and created an action plan with respect to your core marketing and sales priority areas (including inventory planning, pricing strategy and discounting)?
- Can you innovate and invest in alternative sales channels as circumstances require (e.g. online vs. in-store)?

Head-office functions

Join-up efforts on a cross-functional basis to ensure business continuity and resilience

- Do you need to restructure your business, either financially or operationally, to reduce risk and protect value?
- Have you updated your working capital plans and forecasts in light of the changed circumstances resulting from COVID-19?
- What contractual options are available to in your role as the customer or could be used against you in your role as the supplier?
- What contractual levers do you have available to suspend, terminate or change the terms of supply (e.g. invoking force majeure provisions, termination provisions and step-in rights)?
- What access do you have to emergency funding or increased production funding, should it be needed?
- Have you considered the tax and regulatory implications of moving people to alternative locations? What systems and processes do you have in place to monitor the movement of your employees and control the costs?
- What insurance policies and access to emergency insurance or relief programmes do you have and how will it change in different scenarios?
- How resilient is your technology infrastructure?
- Can your IT infrastructure support heavy use of remote access?
- How are you securing and maintaining your IT systems and data? Have you assessed whether the changes in the IT environment would increase vulnerability to a cyber attack?
- What are your triggers for making disclosures to the markets?
- Have you considered the personal and corporate tax and regulatory implications of your change in circumstances?

COVID-19 focus areas for top-level risk reviews



Workplace risks

- What are your planning assumptions for workplaces?
- Is there an agreed list of workplaces ranked from least critical to most critical in terms of output and/or activity?
- Where do you need new or amended workplace policies, guidance and/or support measures? (e.g. ability to deliver emergency deep clean, visitor policy, increased cleaning regimes, ensuring minimal available staffing levels to keep buildings operational etc.)
- What would the impact be of closing areas within workplaces or whole workplaces temporarily (e.g. for cleaning) or for an extended period?
- What is your remote working capacity?
- What are your response protocols to events on site (e.g. illness, staff concerns, other issues)?
- Are any change freezes required?



Workforce risks

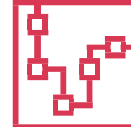
- What are your concurrent-absent planning assumptions?
- Is there clarity on what roles are critical to ensure continuity and deliver critical activity if workforce is disrupted?
- Where do you need new or amended people policies and/or guidance? (e.g. travel, attendance, working from home, social distancing, meetings, events, etc.)
- How will various scenarios impact staff availability (e.g. travel restrictions, geographic lockdowns, school closures, caring duties, etc.)
- What are critical minimum staffing levels? Do any persons/teams represent critical Single Points of Failure (SPOF)? Do business continuity plans make provision for these SPOFs?
- What management activity would support working?
- What's your protocol for responding to long-term loss of staff members?

COVID-19 focus areas for top-level risk reviews (cont'd)



Communications and reputation risk

- What are the key risks associated with inadequate staff communications?
- What are the key risks associated with inadequate stakeholder communications? Is there a stakeholder map?
- Are there dedicated, experienced resources for internal and external communications, including press liaison? For what situations can draft communications be prepared in advance?
- How will you keep staff informed of the measures you are taking to keep them safe?
- What are the issues around communicating a COVID-19 incident within the workplace?
- Who is authorised to sign off on communications messages?



Supply chain risk

- Is it clear which suppliers support which critical outputs and assets?
- How comfortable are you that your suppliers have made provision to deliver goods and/or services as per business-as-usual?
- Do your business continuity plans support delivery of critical output if key suppliers fail?
- What are your distribution chain dependencies?
- Do you have any third-party SPOF, and if so do you have alternative sourcing?
- Can force majeure clauses be activated for SLA breaches?

COVID-19 focus areas for top-level risk reviews (cont'd)



Commercial and finance risk

- Regarding commercial aspects of the business, what are your critical business activities over the next 6-18 months?
- Might there be a short- or long-term reduction in demand? What would the impact be and what measures can manage this?
- Might there be any short or long-term increases in demand (or new opportunities)? How could this be managed?
- What are the consequences if you are unable to meet demand or unable to meet contractual deadlines?
- What impact would a rapid global economic slowdown have on your organisation?
- What is the impact of a significant reduction in sales activity?
- Do you have access to emergency funding or cash reserves?



Technology risk

- Do you have the capability and capacity to support significantly increased remote working?
- Is there a plan in place to respond to IT issues with a significantly reduced workforce?
- Has it been agreed which IT services are required to enable critical outputs and services?
- Are any additional provisions required to enable remote working needs (e.g. home working guidance)?
- Will there be a change freeze on any planned work?
- How will security issues, including patches and upgrades, be managed?

Key contacts for further information

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