

# COVID19 GRC & IA REFLECTIONS/PRACTICE CHANGES

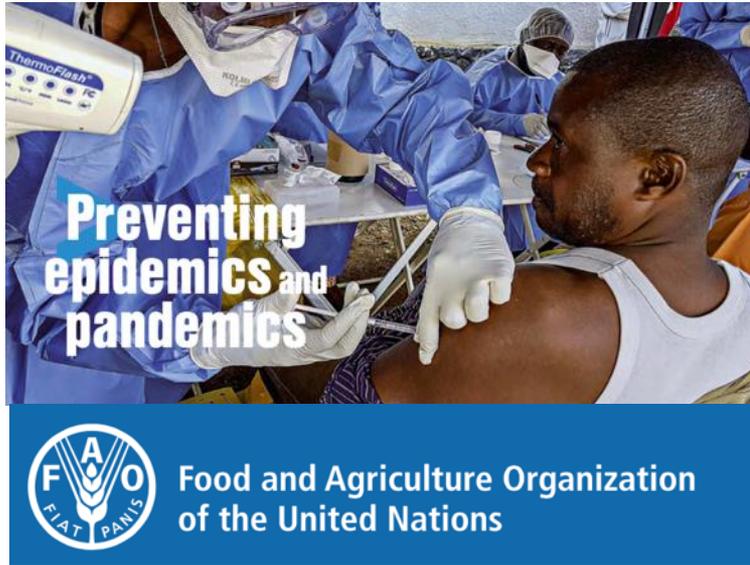
## PEMPAL IACOP

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Risk & Assurance Insights Ltd

20 April 2020

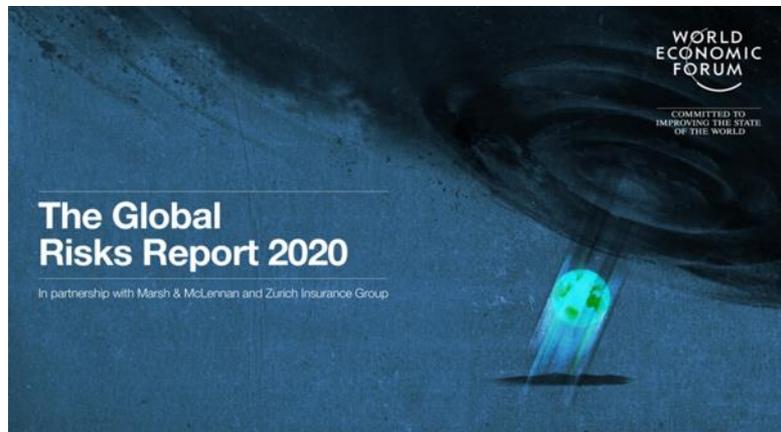


# Pandemics on the radar.

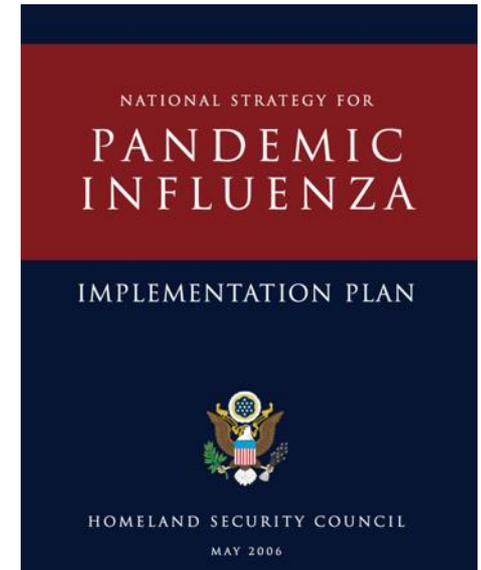


Cabinet Office

National Risk Register  
Of Civil Emergencies  
2017 edition



National Risk Assessments  
A CROSS COUNTRY PERSPECTIVE



# Many lessons for risk management

## Common

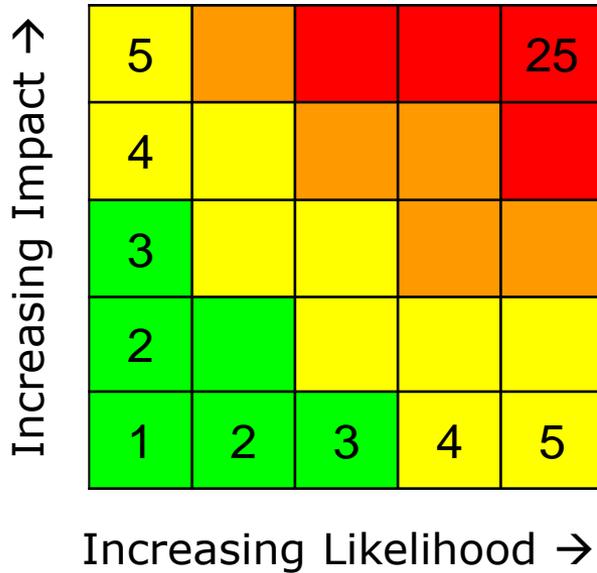


Figure 1

## Progressive

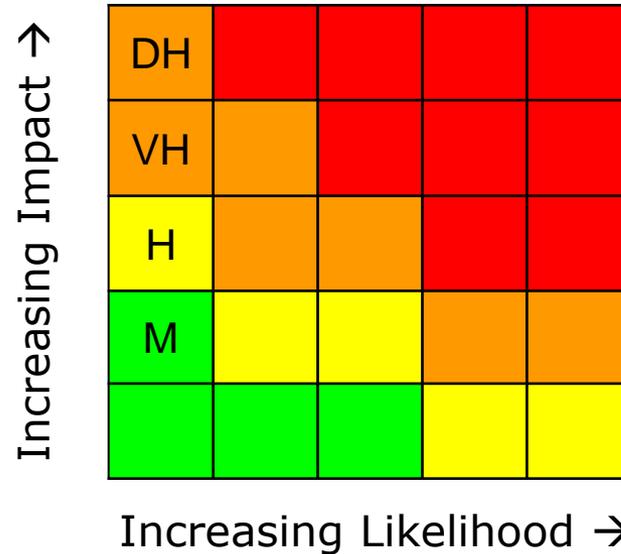


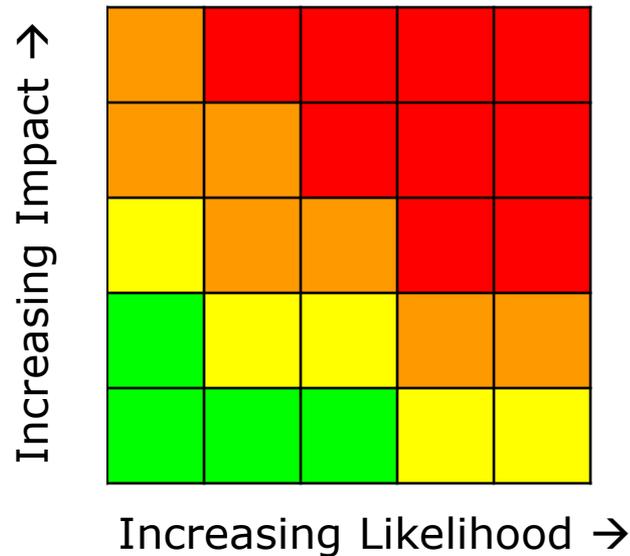
Figure 2



Beware:  
Failure of  
**imagination**



## Other factors in progressive risk management



- 1)
  - ✓ Proximity/velocity - Impact window
  - ✓ Urgency (e.g. contractual window) – action window
  - ✓ Dormancy/Latency (Recruitment > issues)
  
- 2)
  - ✓ Manageability (e.g. easy/hard to address – consider 3<sup>rd</sup> party reliance)
  - ✓ Controllability (e.g. to recover/manage impact)
  - ✓ Detectability (NB. FMEA)
  
- 3)
  - ✓ Connectivity (e.g. to other risks)
  - ✓ Link to strategic goals (e.g. LT objectives)
  - ✓ Impact on significant stakeholders/regulators

Overall:

Risk management as part of **business as usual**

**Risk-based risk management**

# IIA IPPF

Various changes including:

## IA Mission

IA should .. align with the **strategies, objectives, and risks** of the organization, and be **insightful, proactive, and future-focused**.

## Adding Value

**IA must strive to improve Governance, Risk and compliance**

Providing **relevant assurance on the risks that matter**

## Assurance co-ordination and reliance

The HIA should **co-ordinate activities and share information** with other **assurance providers**, ... and **determine a consistent process for the basis of reliance** on others.



## Insight / Foresight

Having an accurate and deep understanding of a complex situation or problem

Knowledge or sound judgment about the future that can support better planning/preparation

## In internal audit

Not not telling people what they already know

Not just reciting the rule-book

Sometimes, making non-obvious connections

Understanding root causes beyond the generic

Connecting points to something that could really matter



# COVID19: Impact on IA

*Rank audit plan*

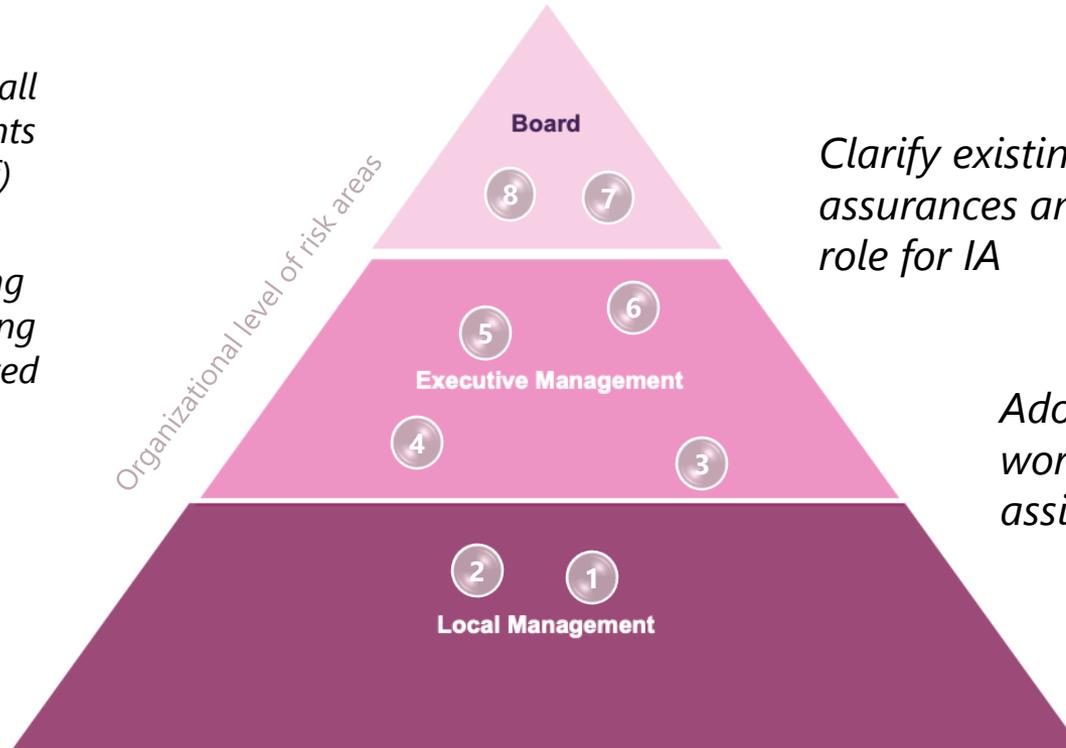
*Seek deferral of all lesser assignments (or parts thereof)*

*Complete existing Assignments using flash / abbreviated Reporting*

*Understand new risks/ projects and their risk profile*

*Clarify existing/planned assurances and an appropriate role for IA*

*Adopt lean/agile ways of working for new assignments*



*Review all open items  
Determine which must be completed (and by when)  
Which can be put on hold*

# Implement lean/agile ways of working

## Assignment focus

**Who** wants the assignment,  
**What's** the exam question?  
**When** is an answer needed?  
**How** much resource as a minimum (depth/breadth)

**Clarity on known issues and action plans**

**Cross-departmental scopes** may be more needed

**What will be good enough (Risk appetite and key controls)**

**What level of consequences** would really matter?

## Fieldwork

**Who else** is working on this?  
**How much can they be relied upon?**

**Direct access** to documents and data

**Stand-up meetings**

**Analytics** but **know when to top testing**

**Don't write the report unless you have agreed what the report will say**

## Reporting

**Every finding only once** – Root causes

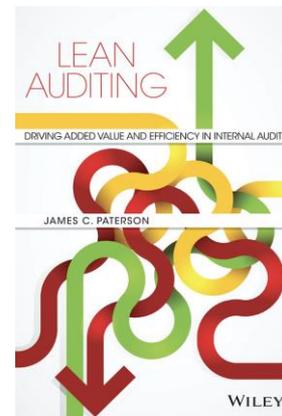
**Consequences that matter**

**Reports: 1-3, 5-8, 12-16 pages**

**Accountabilities and timescales that match risk and can cope with changes**

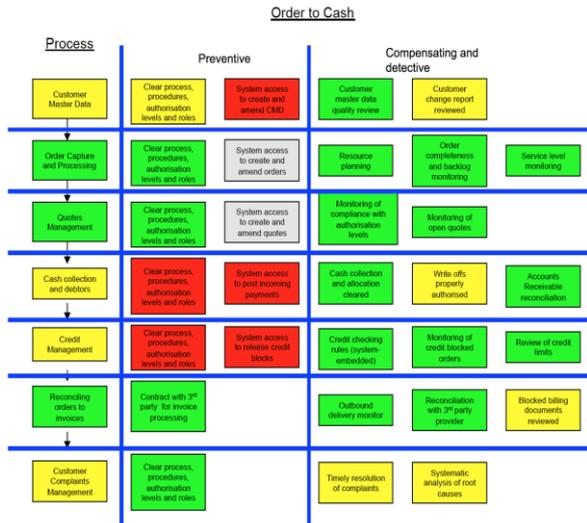
**Feedback and learning**

**More leadership > More experimentation > Quicker review processes**



# Reporting innovations

## Audit Heat map



## Project dashboard

Risk area	Rating	
Business case & Requirements	●	Business Case with formal approval. Assurance provided at all levels
Risk Management	●	Risks managed at all levels and on corporate risk register.
Resource & Scheduling	●	Initial project resources established, however resources for peak periods not yet defined and key stakeholders to support this yet to be engaged and no second or third line assurance.
Project Management	●●	Assurance through project team and third line through Internal Audit on a cyclical basis. No involvement by Corporate Programmes
Supplier Management	●	First and Second Line through Project team and Senior Managers with relationships with vendors. Third line through supplier reviews.
Testing	●●	First line and third line. Lack of second line which would have been useful in a technical area
Finance & Benefits	●	All levels of assurance
Crisis & Reputational	●●	Some elements of second line through consultation with Corporate Communications
Implementation	●	Lack of second line assurance in a highly technical area.
DR/BCP	●●	Second line assurance through business resilience not in place. Some third line through Internal Audit.

## Process Visualisation



## Project Assurance map

Risk area	SG	Project	PMO	Operations	IT	Finance
Business case						
Risk Management						
Resource & Scheduling						
Project Management						
New process design						
Supplier Management						
Testing						
Finance						
Benefits						
Configuration & Data Management						
Implementation						
DR/BCP						

- Try things out
- Get feedback
- Try again

# Advisory assignments

## Clear process and scope

<b>Background</b>	At present there is significant pressure on cash expenditure
	An urgent cross functional initiative/project has been set up to work on <b>managing costs and cash flow in a range of key areas</b> HR / Contracts / Purchases. A specific sub-project is looking at: <b>Accelerated debt collection</b> <b>Deferral / termination of expenditure</b> without <b>excessive loss of margin/extra costs</b> or <b>significant relationship difficulties with key customers/suppliers</b>
<b>IA role</b>	<ul style="list-style-type: none"> <li>Internal audit will play a role in the sub-project helping out with key tasks:           <ul style="list-style-type: none"> <li>Validating information, verifying risk information</li> <li>Compiling/validating cash in and spend deferred</li> </ul> </li> </ul>

<b>IA role limitations</b>	<ul style="list-style-type: none"> <li>IA will <b>not be tracking the profit / cost consequences</b> of key decisions made during this time, but this is something Finance/the Project team will need to watch and report to the Project Board</li> <li>IA will <b>not be reviewing the prioritisation or risk management by the Project team</b>, however IA reserves the right to raise any significant concern areas that arise during its work with the project</li> <li>IA will <b>not be looking at other cost saving areas</b> e.g. staffing (payroll) and consultants</li> <li>IA will <b>not assessing contingency planning arrangements</b> should this initiative not deliver the results hoped for, but is clearly keen to work in any relevant area where this would maximise organisational success.</li> </ul>
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## Clear record of advice given

<b>IA COMMENTS – P1/P2</b>	
Who is keeping track of discounts / margin reductions to get the cash in	<b>P1 – IA aware of several areas where over \$100k of margin has been lost – is this regarded as acceptable in the circumstances? What would be too much (currently no guidance)</b>
Over 1 day spend getting up to speed with the workflow, checkpoints	P2 – Can we document the workflow via a checklist or swimlane P2 – Can we identify now others who may need training (in case project team members get ill) to avoid delays



*As you compile all Q & As*

*What is this all telling you in terms of GRC?*

*Need for more training in key areas?*

*Better clearer risk appetites?*

# Summary

## Significant GRC issues

Risk management

BCP/DR

Crisis management

## Some Immediate IA actions

Planned assignments

New assignments

Follow-up processes

## Opportunity to rethink GRC and IA role

More robust measures of assurances

IA seen to add value in a time of difficulty

## Tools exist, but need to be applied

Assymetrical risk

FMEA

Connectivity

## Tools exist, but need to be applied

Lean/Agile

Heat maps

Dashboards

## Barriers to overcome

Interpretation of IIA standards and other regulations

IA team leadership / culture / methodologies

## Welcome

Risk & Assurance Insights (RiskAI) was founded by James Paterson, former head of Internal Audit (CAE) of the Pharmaceuticals company AstraZeneca.

RiskAI has built its reputation as an outstanding provider of audit training and development workshops, leading training for numerous IIA organisations in Europe; and also offering in-house and on-line training/ webinars.

James has presented at numerous IIA conferences including 4 international IIA conferences and is the author of the book 'Lean Auditing'.



## BLOG



### Coronavirus: Business not as usual...

and that applies to internal audit as well...



### 2019 ECIIA Conference - Plenary presentation

Does internal audit have a blind spot concerning organizational politics?



### Culture and behaviour and Auditing Culture

I've just run another course on Culture and auditing culture. This article gives a summary of key points concerning common misperceptions...



### RISK ASSURANCE

Practical solutions for Assurance Mapping, Assurance frameworks and the Improvement of Risk Culture.

[Find out more](#)



### LEAN AUDITING

A fresh approach to auditing with an emphasis on stakeholder value add and efficiency.

[Find out more](#)



### AUDIT TEAM EFFECTIVENESS

Tailored and open workshops to support team development on key issues of importance, combined with extensive experience in external quality assessment.

[Find out more](#)



### COACHING

One to one coaching and training for those new into an audit, risk or governance role and looking for a confidential sounding board to navigate through sensitive issues.

[Find out more](#)



### SPECIALIST AREAS

Tailored consulting and training on topics such as Auditing Culture, Root Cause Analysis and Auditing in the Pharmaceuticals Industry.

[Find out more](#)



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