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What Have We Learned from COVID-19?
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By Xihao Hu

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It has been over two months since we were all told to work from home. It has been taxing for many of us, whether it is balancing work with taking care of the young and the old at home, or simply working longer hours now that we do not have to commute and have no formal lunch breaks. On the other hand, these difficult weeks have also provided us with invaluable experiences and have made us more prepared for the next crisis – although none of us would welcome another crisis like COVID-19. Those of us who survived through the 2007–2008 financial tsunami certainly would not have expected another worldwide economic recession in just over a decade.

So, what have we learned from COVID-19?

#1 Lead with Honest and Clear Communication

During a crisis like COVID-19, people are undoubtedly scared because of uncertainty and they are looking to their leaders for confidence and guidance. It requires those leaders to communicate straight from their hearts placing their customers and their colleagues as Number One priority. Their messages need to be frequent, concise, to the point, and humanized. We need to feel that our leaders are guiding us with a steady hand while standing together as one of us in fighting through this crisis. Do not worry about making mistakes – if anyone knows exactly how the crisis will turn next and how exactly we need to respond, the crisis is no longer a crisis; it is a live rehearsal instead – making mistakes, owning up to them

via communications, and adapting to fix them, will boost the morale of the team and the self-confidence of the leaders.

#2 Unblur the Line between Work and Life

It is not unusual for some of us to have multiple twelve-hour-plus days since the outbreak of COVID-19, especially at the onset, and it seems that our weekends are not immune to those long hours either. Given that working from home, unlike a fleeting fad, will stay with us for the foreseeable future, we must unblur the line between work and life so that we can be both physically and mentally healthy for future challenges. The most critical thing to do to unblur the line is to take some personal time off (PTO), even if it is a “staycation”. Some of you might complain that staycations are not vacations; and it believe it would be more beneficial to accumulate those PTO days to go somewhere once the Shelter-in-Place decree is eased or lifted. Monetarily, PTO accumulation may be a sound idea, but mentally, it is not. Your brain and your body need some R&R from time to time, even if it is just half a day binge watching your favorite show on Netflix™ or giggling over silly TikTok™ videos.

#3 Continuously Monitor and Do COVID-19 Specific Testing

All frontline colleagues are so busy, what should Audit be doing? The most important activity to undertake is continuous monitoring. It will likely take the least amount of time away from our business partners who are performing critical tasks to serve our customers and colleagues, while having the front row seat in the house to observe what and how decisions are being made, and providing effective third line of defense challenges, when needed. In an unprecedented scenario like this pandemic where things are fluid and fast paced, it is not be surprising that an enterprise and its management might temporarily accept a risk appetite higher than they normally allow themselves. As an observer and a challenger that continuously

monitors business situations and management actions, Audit should look for whether management understands all possible risks, whether management considers any mitigating factors, including any controls, whether there is a transparent process for accepting heightened risks, whether there is a time constraint or other conditions imposed for future reconsiderations. Documentation should be prepared for continuous monitoring activities, including any observations for improvement and ad hoc findings, if appropriate. Such documentation would also serve as a basis for Audit's discussions with the Audit Committee and the Board during the COVID-19 impacted period when an overall Audit opinion on the Enterprise is not feasible.

In addition to continuous monitoring, simultaneous testing is another effective way that Audit would add value to business partners, especially in areas where new processes are being set up in a very short period and where the risks involved are not insignificant. In those situations, Audit essentially serves as the reinforced QA/QC function to provide real-time feedback to businesses so that any errors or deficiencies are corrected on the spot and the controls, as well as the process flow, would operate more seamlessly going forward.

#4 Think about the Future – How We Work, What We Audit and How We Audit

It is unlikely that the world will return to the pre-COVID-19 normal; and it is high time to think about how we work, what we audit and how we audit in the future before we resume our busyness with executing current fiscal year audit plans. Let us take "Working from Home" (WFH) as an example. Today, we are coping with WFH via a series of tools like video conferencing, more frequent phone calls, emails and the use of chat. However, to build a coherent team, especially with new members, and to establish partnership-like rapport with businesses, real human interaction is an inevitable and important ingredient. As people managers,

we need to think ahead and think creatively about which alternatives we may need to hold a team together, or to solidify a partnership without face-to-face interactions. WFH is also going to be a new area of Audit focus, both as an element of COVID-19 activities and as a business-as-usual future norm.

WFH has added risks in areas of;

Cybersecurity - For example, a breach of one's home Wi-Fi system could now put in peril an Enterprise's security as everyone logs on from home through remote access using a virtual private network (VPN),

Privacy - For example, one may be sharing client sensitive information on a video conference call while there is an unscrupulous third person in the room or you may have your Alexa and Google Home on.

Lastly, WFH makes how to audit more interesting as well. For instance, to review and validate manual documents while being remote would be more difficult. For those audits that require physical visits, Audit in different industries has already started to think outside the box. Examples of this are the assistance by outside and inside security cameras and the use of drones. It is increasingly likely that technology will play a much larger part in Audit in the future.

In addition to new audit areas like WFH, new perspectives on legacy audit areas and heightened risk areas are mushrooming too, thanks to COVID-19. The one area most deserving a fresh look is business continuity management (BCM). Although many companies and their employees continue to apply herculean efforts to maintain stable operations during the crisis, their BCM playbooks are not sufficiently comprehensive to meet the challenges of this crisis and from impact areas that had been traditionally considered low risk (e.g., third party, or even fourth party, vendors with offshore operations that are simultaneously locked down as onshore contracting entities). An easy-to-pick heightened risk area is

cyberattacks and other fraudulent schemes, which have been on the rise since the outbreak, as fraudsters attempt to exploit potential vulnerabilities exposed by the pandemic. Audit needs to consider targeted reviews to identify these gaps if they have not been self-identified by businesses.

In short, Audit as we know it today may continue in its current form but it will not be for long. Audit will morph into a technology-and-data driven process and it will be more effective and more resilient. Sooner or later, Audit will be standing alongside those technology colleagues of ours! Be Agile is not merely a target state, it needs to be the current state to plan and execute audits. To begin with, it could be as easy as changing to a rolling twelve-month Audit plan from a fixed annual Audit plan.

Be well, stay safe, and continue to think about what we all can learn from COVID-19 to make our profession, Audit, our teams, and our people better set up for today and tomorrow.

About the Author

Xihao Hu's journey with TD began just under 10 years ago, and over this timeframe he has held the roles of Senior Vice President and Chief Accountant and most recently, leading a team of over 250 Finance professionals at TD Bank, America's Most Convenient Bank, including a key component within the Comprehensive Capital Analysis and Review (CCAR).

Currently, Xihao Hu is the Senior Vice President and Chief Auditor, responsible for the planning, execution and reporting of audits, regulatory reviews and special projects. This involves overseeing more than 400 professionals operating out of six locations worldwide.

Xihao Hu is a member of the Financial Services Advisory Board (FSAB) under the Institute of Internal Auditors (IIA); and he is also a member of the Transition Resource Group (TRG) for Financial Accounting Standards Board (FASB)'s credit losses standard. Previously Xihao Hu served on Financial Accounting Standards Advisory

Council (FASAC), Expert Panel – Depository and Lending Institutions at the American Institute of Certified Public Accountants (AICPA), and senior committees at the Canadian Bankers Association and International Banking Federation.

Xihao Hu completed the Asian American Executive Program at Stanford University's Graduate School of Business and he also holds a Bachelor of Science majoring in Accounting from Bemidji State University.

An advocate for giving back to the community, Xihao Hu serves on two senior committees of the Thomas Jefferson University and Jefferson Health Board, the largest health system in the Philadelphia Region. He previously served on the Imagine Tomorrow National Campaign Committee for his alma mater, Bemidji State University, and was a member of the board of directors of the Centre for Immigrant & Community Services (CICS) of Canada.