

Remote Auditing during pandemic

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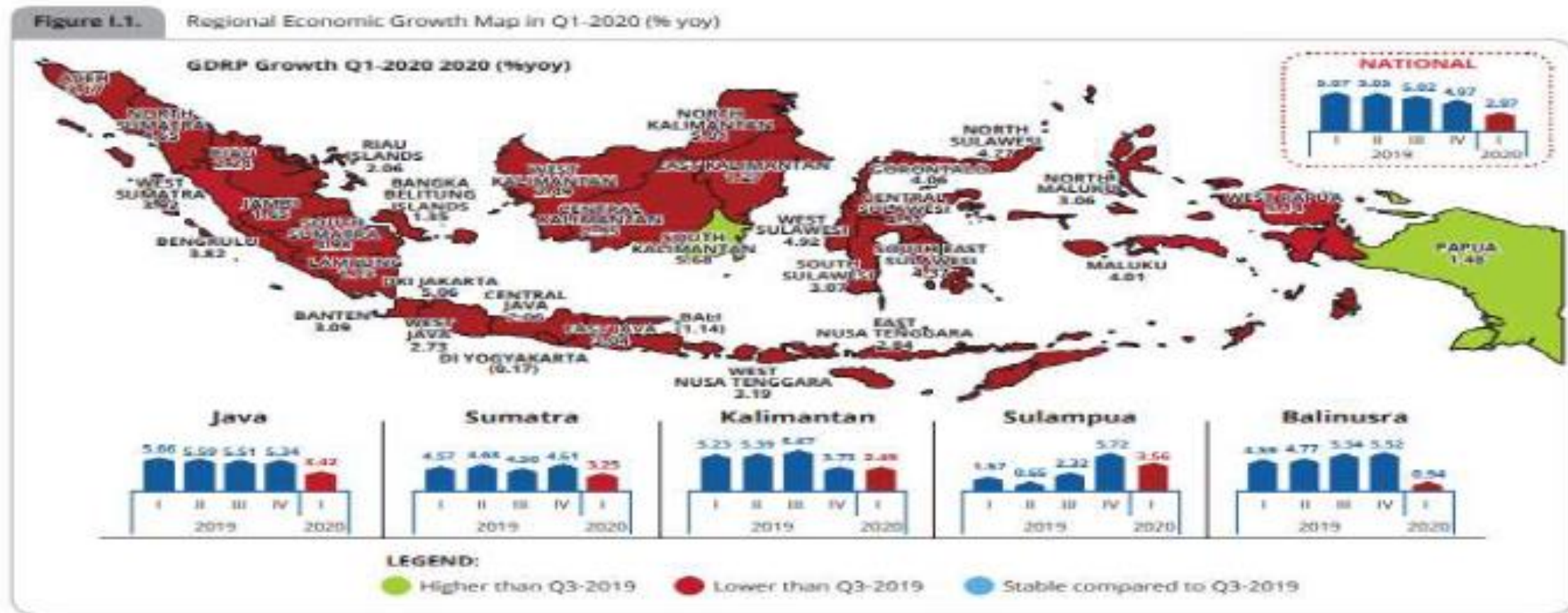
Agenda

1. Background
2. Risk Re-assessment
3. Area To Be Focused
4. Challenges
5. Initiatives Solutions
6. Enhancement of our data analytics



Background

The COVID-19 outbreak began to impact economic growth in Indonesia in the first quarter of 2020. In general, sector trade and manufacturing has slow in nearly all regions in line with retreating domestic demand. This condition expected still remain until 2021.



Source: BPS (processed)

Covid-19 starting March 2020 leads to big scale social distancing (PSBB) policy, impacted to:

1. Requirement to do working from home (WFH) for auditor and auditee, as well as split operations for some of critical business function auditees
→ auditees are struggling with their business as usual.
2. Changing on risk profile
→ e.g. prioritize on loan restructuring processes, cyber security, BCM implementation.
3. Challenge for auditor to do limited audit approach through desktop auditing, rely on scanned documents and softcopy, and online communication
→ focus on auditable area which have sufficient softcopy data on their portfolio which can be accessed through auditors' desktop.

Area To Be Focused

Regulatory Concerns	<ul style="list-style-type: none">▪ Anti-Money Laundering, Counter Terrorism Financing & Sanction▪ Regulatory reporting▪ Bank secrecy on customer data▪ Restructuring process▪ Payment system
System & Technology	<ul style="list-style-type: none">▪ Cyber security and system testing▪ Infrastructure to support digitalization and branch transformation
New/Expansion Product/ Process	<ul style="list-style-type: none">▪ New credit segment implementation▪ New mobile application for business and retail▪ Sharia principle implementation
Emerging Risk	<p>Covid-19 leads to:</p> <ul style="list-style-type: none">▪ Speed up digitalization processes▪ Limited audit approach

Challenges

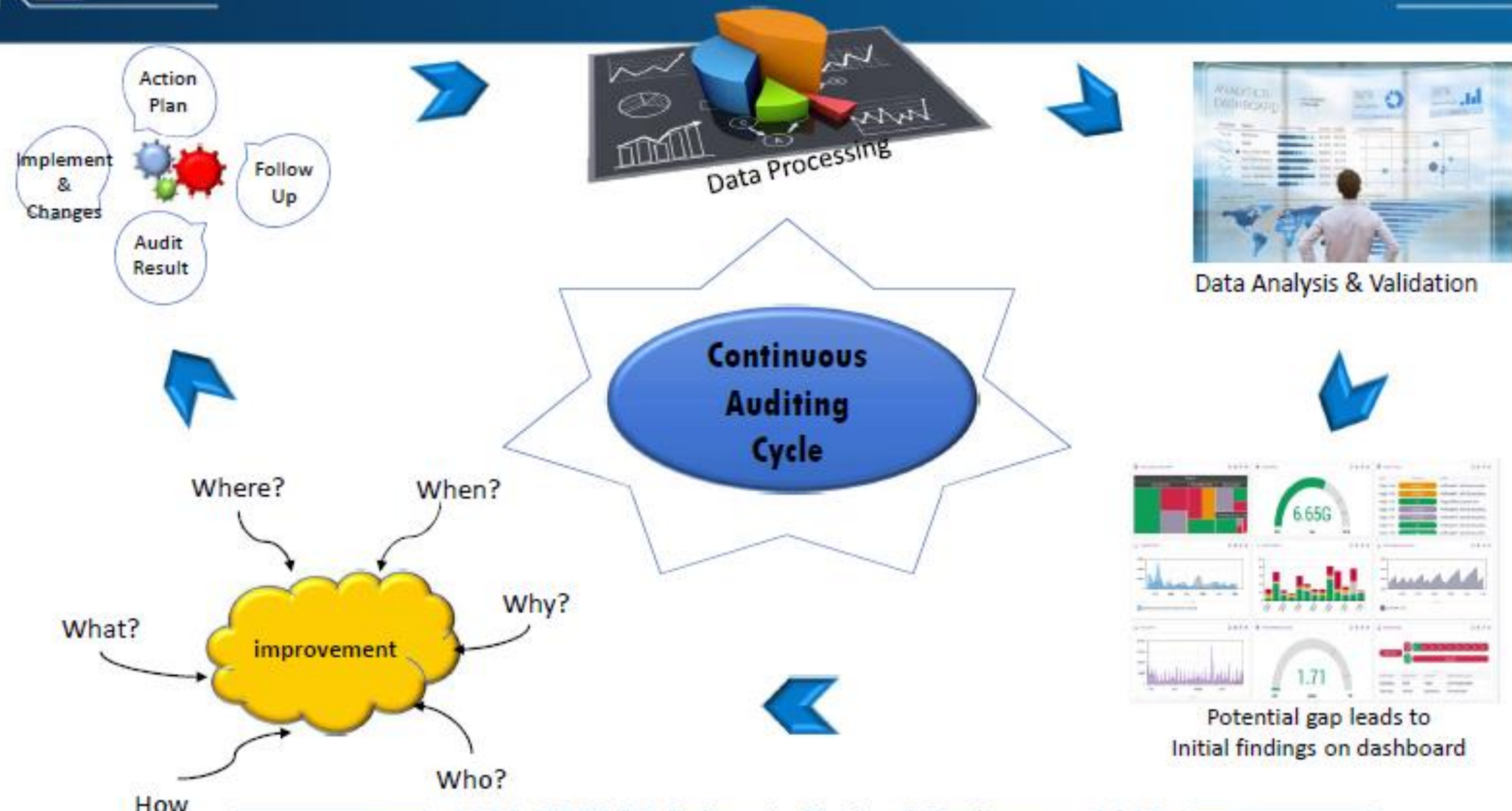
Due to some limitations in performing audit activities during the covid-19 pandemic, we continuously evaluates some approach to enable us in achieving some level of assurance on internal control implementation. Followings are some challenges in audit implementation to complete audit annual plan FY 2020 and will be continued on FY2021:

1. Every single audit data and information resources must be relied on softcopy during situation which is not every auditable area has maintain the softcopy documents, such as most of credit files of non retail loan facility are still maintained in hardcopy, and most of the auditees are also WFH and split operations. Therefore, it is impacted to:
 - a. Timeliness of auditing
 - b. Original documents cannot be validated
2. Access to data difficult to be timely performed by each auditors and/or auditees due to technology issues during WFH, such as:
 - a. Stability of internet access during busy hours
 - b. Not every personal computers/laptops of auditors and/or auditees have a capability to timely access the data
 - c. Real time CCTV testing during operational hours impacted to branches' bandwidth
3. Limited audit observation approach:
 - a. Reliance on online communication sometimes difficult to feel the psychological gesture of auditees during interview, particularly when the issues related to violation of code of ethics and integrity
 - b. Borrower business and collateral site visit cannot be done, impacted to the auditors cannot feel the real condition of borrowers' business and identify any potential negative information of borrower from the surrounded area
 - c. Auditor cannot assess the real physical cash and other original documents e.g. collateral, agreement, etc.
 - d. Surprised audit cannot be done during covid-19 pandemic

Initiative Solutions

1. Manage communication with auditees and request the softcopy data or scanned document couple weeks before the audit commencement, although it is impacted to the cut-off data.
2. Manage audit time allocation to do sufficient walkthrough prior to audit commencement.
3. Declare the limitation of assurance level on the audit report that assurance of originality of the documents and clean desk test cannot be conducted.
4. Manage time of discussion.
5. Manage audit timeline and scope.
6. CCTV review after office hours and declare that the real time testing cannot be done, and if it is possible the auditors conduct video conference call with auditees during the cash count process and vault activities.
7. Conduct internet checking on borrowers' business and collateral site although it is not real time. Further, auditors conduct internet and phone checking through the borrowers' business, competitor, employer, supplier and/or buyer.
8. Enhance coordination with other assurance unit, such as Internal Control Unit, Risk Management Unit, Compliance Unit, Credit Risk Quality Review Team to help auditors in identifying critical or higher risk areas that need to be focused.
9. Continue desktop auditing and enhance data analytics skill for auditors.

Enhancement of our data analytics





Q & A



Thank you