ENVIRONMENTAL, HEALTH & SAFETY KNOWLEDGE BRIEF

REMOTE AUDITING FOR COVID-19 AND BEYOND

Short-term and long-term implications

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The Institute of Internal Auditors | Environmental Health & Safety AUDIT CENTER

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About the experts

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INTRODUCTION

Remote auditing — desperate times call for desperate measures

The conversation about new audit approaches, use of technology, and remote auditing techniques has gone on for several years. However, in various polls of companies conducted over the past two years, few firms report implementing remote auditing beyond test scale.

The emergence of COVID-19 and its related worldwide travel restrictions, combined with the existing need to conduct regulatory-, legal-, or immediate need-driven audits, are renewing the conversation and focusing internal audit efforts on finding alternatives to the traditional face-to-face audit that can be implemented now. Remote auditing may be a good go-to alternative, especially because most companies have restricted travel to business-critical functions, and many jurisdictions in the world have temporarily closed borders.

This knowledge brief examines the challenges of remote auditing and offers strategies for overcoming them in each part of the audit engagement process — planning, document review, field work, interviews, and closing meetings. It also shares best practices from three organizations that have used remote auditing in their COVID-19 response.

AUDITING FROM AFAR

Remote audit components

Considerations for remote auditing

The components of a remote audit are in many ways analogous to an in-person audit. However, the focus, burdens, and execution of these audit phases differ. This section highlights things to consider, based on the lessons learned by three contributing companies that utilized remote audits as part of their response to COVID-19.

Planning

Audit planning and scoping is critical in every audit. Because it is more difficult to pivot in the moment from a remote location, the stakeholder planning meeting is very important. This meeting includes a discussion of the scope and schedule, and auditors must allow adequate time to explain the remote audit approach to the participants. This should include an explanation of anticipated similarities and differences between face-to-face audits that stakeholders are accustomed to and remote audits.

Examples of the types of information that should be covered include how and when information will be shared, what technology will be used (everything from cameras to drones to telepresence support), what authorizations need to be obtained in advance to collect video and still photography, and what confidential or restricted areas need to be considered or avoided.

It is also important to discuss from the outset the limitations of remote auditing and explain that future onsite work may be required based on the findings of the remote audit, or once the barriers to a physical site visit are removed (e.g., travel bans are lifted).

Based on the additional content and explanation, experience indicates that internal auditors should allocate about twice as much time for a remote audit planning meeting, compared to what is needed for a traditional audit. Use of video teleconferencing, as well as a PowerPoint or other visual guides, is also helpful for this meeting.

Document review

Remote document reviews are in many ways analogous to reviewing documents at the facility, with a couple of major caveats.

It may take significantly more time for the facility to prepare and upload documents to a file sharing platform (SharePoint, shared drives, etc.) than it would to provide access to a file drawer or binder onsite. Depending

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on the documentation method (paper records, database storage system, etc.) the facility personnel will need to take the time to convert these records into a reviewable format (such as PDF) and upload the files.

Auditors should be open to receive and review information in whatever format is most easily obtained so that the burden to the facility is minimized. If possible, consideration should be given to the accessibility of the digital file system used by the facility where records are stored. Often, direct access can be granted on a temporary basis, solely for the duration of the audit.

Careful consideration should be given to building effective strategies for reviewing data remotely. For example, depending on the number of records to be reviewed, sampling may be the best option. Whether reviewing all or part of the available data, the strategy should be discussed with auditees to ensure they provide the correct information to support the sampling strategy.

Unlike on-site records reviews, remote reviews do not typically allow for contemporaneous questions. When reviewing records remotely, the auditor should take notes and write down questions to be asked during the remote interviews. However, one way to incorporate synchronous questioning during remote reviews is to set up a video teleconference between the subject matter auditor and the person tasked with implementing the program being reviewed. This allows for documents to be shared and reviewed, and for questions and answers to be given in real time.

Site reconnaissance

The remote site reconnaissance is perhaps the most challenging aspect of the remote audit. The companies that contributed to this knowledge brief have tried various technology solutions to accomplish an adequate site reconnaissance.

One approach was to use live, two-way communication technology, including livestreaming, two-way smart glasses. Although the idea of a live walk-through was compelling, the following limitations were encountered:

- Most facilities did not have facility-wide Wi-Fi. Even those facilities that claimed to have facility-wide Wi-Fi often did not have good coverage of remote areas of the site (such as tank farms, docks, large warehouses, and storage areas).

- Covered facilities also happened to be in remote locations or were within old buildings constructed like bunkers where cellular service was limited, or the signal strength was poor, degrading the quality of live video feed.

- There was little value in remote observations traveling from point to point as the video feed provided tunnel vision, and peripheral observations were not possible.

- Ambient noise and (conversely) the noise-canceling properties of the technology prevented remote personnel from hearing interview responses.

An alternative to live, two-way communication are video and still digital photographs taken using company cellular phones. The advantage of this approach is that these devices are readily available and compatible with most company computer storage solutions (e.g., SharePoint). Additionally, signal strength at the point of collection does not negatively impact video and photograph quality on such devices. As mentioned in the planning section above, use of digital devices often requires pre-planning and special permissions (such as in sensitive areas or in environments where an explosion hazards exists).

During the document review, auditors should compile a list of areas of concern that they want to capture with video and still photographs. Examples of areas of focus for chemical security audits include:

- Active facility access points.
- Secure and restricted areas.
- Videos of vehicle and personnel screening.
- Videos of CCTV monitoring stations including use of cameras.

The photos and videos are reviewed by the audit manager and compiled into an album, which is then reviewed by each auditor. Auditors take notes and prepare questions to be asked during the remote interviews.

Remote interviews

Remote interviews are conducted in much the same way as in-person interview and can be conducted by scheduling video calls with key individuals using any number of readily available technologies (e.g., Microsoft Teams, Skype, and Zoom). Plan on interviews of 30- to 90-minutes with the facility program owners. Shorter, 15-minute interviews can be conducted with designated personnel who have implementation responsibilities, and short (10-minute) interviews can be conducted with selected general facility employees who have responsibilities ancillary to the focus of the audit. These help the internal auditor gain knowledge of the general culture. Video calls are preferred over voice-only calls because non-verbal cues are an important part of communication and are often lost without video.

Preparing for remote interviews takes additional time for the auditor. Each auditor should come ready with a list of questions and points regarding what additional information is needed, based on information from the document review.

When more than one auditor is participating in an interview, care must be taken to avoid talking over either the interviewee or other auditors. Keep in mind that many people may not be comfortable chatting by video, especially auditees who do not regularly do so (for example a skilled-trade supervisor). While this is unavoidable, try to set a comfortable tone and be aware that the video alone may change body language or perception.

Closing meeting

The closing meeting for a remote audit is much the same as the closing meeting for an in-person audit. It is suggested to schedule the closing meeting one to two days following the remote interviews. This allows the audit team members to review their own notes and findings, as well as have a remote audit team meeting to compile preliminary draft audit results.

The audit closing meeting is an opportunity to present these preliminary draft audit results to the stakeholder audience, resolve any questions or concerns, and discuss the path forward to audit result finalization and continuous improvement.

KNOWLEDGE SHARING

Three examples of implementation

Responding to the COVID-19 environment

The following section outlines remote audit components and lessons learned from the three companies that contributed to this knowledge brief. The IIA emphasizes that we are sharing knowledge, not necessarily best practices. We share this information in the hopes that it will help other professionals develop and refine their remote audit programs to meet their immediate and long-term assurance needs.

Manufacturing company sets criteria for remote audits

With over 40 facilities throughout the United States subject to MTSA and CFATS regulations, our first example is a global company uses remote audits as one tool to conduct good faith, arms-length audits annually at each covered facility. Remote audits were executed at a test scale in 2019 and, in 2020, are at full implementation. Facilities that are typically selected for remote audits have certain characteristics:

- The facility must have a demonstrated history of understanding applicable regulations and the site-specific security plan requirements.
- Facility personnel should have a good understanding of their roles and responsibilities, with minimal turnover in facility security officers.
- Facility leadership must be willing to experiment with the remote audit approach.

With the onset of the COVID-19 pandemic and the resultant ban on non-critical business travel, all chemical security audits scheduled between March and May were pivoted to remote audits.

Automaker expands remote auditing

Our second company is an automaker that operates manufacturing, warehousing, and engineering facilities and connects to an extensive dealer network across the world. Remote audits have been executed periodically over the last 10 years to meet a variety of assurance needs. Remote audits are used to monitor regulatory compliance and policy conformance in politically unstable or regionally violent locations where travel is dangerous or impossible. Internal audit also used remote auditing to handle high-volume, time-sensitive oversight of third-party operations, such as the dealer network and global warehousing activities. In addition, the techniques have been used to validate understanding of roles, responsibilities, and program requirements for critical safety programs and to confirm implementation of corrective action for higher-risk, systemic issues. With the emergence of COVID-19 and the associated economic impacts and travel constraints, the second line of defense has adopted a strategy to perform validations that would be otherwise impossible.

Legally required audit rapidly transitions to remote

The third contributing company was forced to transition a traditional audit to an online audit because of COVID-19 travel restrictions. The situation involved a tight, legally-imposed deadline. The auditors were in Paris, Denver, and Houston. The facility was in California, and facility employees were working from home.

One employee retrieved the needed files and shared them on Skype. Auditors scheduled and conducted home interviews for participants in Germany, Boston, and four locations in the United States — Washington, D.C.; Virginia; Michigan; and Los Angeles. To everyone's surprise, the audit met the deadline and accomplished its objectives.

Other drivers for remote audits

Frequent, required audits, such as those mandated by the Maritime Transportation Security Act (MTSA) and Chemical Facility Anti-Terrorism Facility Statutes (CFATS), provide another motivation for seeking alternatives to traditional in-person audits. Covered facilities under these regulations must conduct an internal audit annually. The risk for any one of these facilities to be the target of terrorist activity is low, so the goal of an audit program should be to conduct a thorough arms-length audit, while at the same time right-sizing the level of effort so that resources are not wasted. Remote auditing is an approach that is promising, especially considering that one or two days of travel can be saved per facility if the auditors don't travel to the site.

Other reasons for conducting a remote audit include:

- Facilities that are difficult or dangerous to visit, such as those located in regions affected by political unrest, or where travel to or from the jurisdiction is restricted.
- Situations where high volume reviews are required in short time frames, such as acquisition-related or risk-reduction initiative audits.

LESSONS LEARNED

Finding solutions to new challenges

Pros and cons of remote auditing

The following is a summary of advantages and limitations discovered as the three companies implemented remote audits.

Advantages of remote audit

A short list of positives discovered while implementing remote audits includes:

- **Restoration of a much-needed sense of normalcy.**

- **Reduced travel costs.** For an audit program with multiple annual audits, remote audits can provide significant savings.

- **An expanded pool of available auditors.** The retiree in Tennessee, the part-timer in Colorado, or the even the auditor in Van Nuys can expand your audit staff.

- **Expanded coverage.** Remote audits allow for more coverage when competing priorities of volume and time limitations occur.

- **Expanded use of specialists.** Specialists can connect remotely for selected interviews or parts of audit planning, and they need not be present for a full audit.

- **Improved document reviews.** Remote reviews of plans and documentation, at the auditor's own pace, contribute to a higher quality review and a deeper dive into the documentation.

- **Improved use of available technology strengthens documentation and reporting.** Facility personnel's use of technology to capture video and photographic information contributes to improving their understanding and use of available technology. This contributes to better documentation of facility conditions, improved ability to report incidents and conditions to remote corporate personnel, and increased opportunities for future remote training tools.

- **The audit burden to facility operations is mitigated.** Time required to gather and digitize documentation, video, and images can be spread over several weeks, instead of concentrated into an audit period that takes personnel from their daily activities.

- **Improved organization and confirmation of required documentation.** Because facility personnel have to review and assemble the required documents, remote auditing provides an opportunity to organize and confirm that all documentation required for a regulatory inspection is readily available.

Limitations of remote audit

Some limitations of the remote audit approach as executed by the companies include:

- **First-hand observations cannot be replaced.** There is nothing like seeing processes first-hand, observing body language, or even noticing a smell that should not be there. Online auditing also has limits under certain conditions, such as where operations are secure, highly restricted, or in sensitive environments. You cannot walk through a clean room with a video device, nor could you take it into many chemical plants or refineries.

- **Remote auditing makes it hard to build rapport with auditees.** Opportunities to provide hints, tips, and observations for improvement are lost. It is hard to identify best practices or describe things that others may benefit from, outside of the documentation process. Good auditors do this, and these are often the most useful things that auditees get from the exercise.

- **The lack of in-person interaction opens other opportunities for fraud.** The opportunity to present doctored documents and to omit relevant information is increased. This may call for additional planning, some additional/different audit procedures, or a follow-up once the barriers to a traditional audit lift.

Be prepared for bumps in the road

Be ready for technology glitches. Conference bridges fail. People can't hear and forget to turn on their mics. Some company firewalls have size limits for video and photo files and might require facility personnel to seek out IT help when uploading them. All these hurdles can be overcome with time and experience.

CONCLUSION

Practical use of technology

Innovation and transformation is a focus of businesses and audit programs throughout the world today. This is no less true than in the conversation about remote auditing. There are several burgeoning technologies that show great promise in this area, including use of live video streaming, augmented and virtual reality, unmanned aircraft vehicles (drones) and artificial intelligence, among others.

Based on the experience of the authors, however, a word of caution: Don't let the glamour of new technology keep you from using what you have (and understand how to use) now. Drones require experienced and, for many companies in certain jurisdictions, licensed operators. Livestreaming and augmented reality require specialized equipment and high bandwidth. Keep pushing the envelope — these technologies are useful — but use what works now, with an eye to future incorporation of novel technologies.

Remote auditing is not a one-size-fits-all solution. It is not a replacement for an in-person audit. However, as part of a multi-year assurance program, remote auditing can play a part, and provide assurance when special circumstances prevent business as usual.

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