

COVID-19 vs Internal Controls

How to sustain your internal control framework under COVID-19

Now, more than ever, the terms “value for money” and “sustainable actions” are part of many business decisions. As organizations seek to weather the COVID-19 storm, costs have come under greater scrutiny. During this time, companies must be careful not to expose themselves to risks as they review their internal controls environment.

We predict that as companies deal with the challenges of the pandemic, some of their actions will lead, directly or indirectly, to weakening their internal control framework. Therefore, management teams need to be cautious of the changes this pandemic has brought to their environment and assess, how and if, their COVID-19 responses have impacted their internal controls.

Here we highlight key considerations for sustaining a robust internal control framework as you address the challenges of COVID-19.

Key considerations for Management



Strategy

- Have you refocused your ICOFR strategy to deliver value sustainably?
- Have you assessed the quality of your business continuity readiness?
- Do you foresee any change in ICOFR scope, materiality or key risks?
- Have you considered internal controls while redefining your business model?



Risk Assessment

- Have you updated your risk registers with special focus on COVID-19 related changes?
- Have you evaluated and addressed emerging cyber security related risks in your risk assessment?

- How have the risks arising from reliance on third parties changed?
- Have you re-addressed fraud risks under the current situation?
- Have interdependencies of your risks and responses changed?



Entity Level Controls

- Have you updated your teams of changes in entity level controls?
- Have you updated your senior management monitoring programs, including documentation?



Controls Standardization

- Have you noted and documented changes in the way controls have operated during COVID-19?
- Have you documented new controls (related to remote working, approvals) in your controls catalogue?
- Have you identified opportunities for automation and data analytics to aid consistent operation of key controls?



Testing Strategy

- Have you performed an interim review of internal controls?
- Have you identified backup resources to ensure consistent operation and testing of key controls?
- Have you considered strengthening control self assessments and adopting procedures for remote testing through the use of technology?

Evaluating Deficiencies

- Have you identified any key controls which have failed to operate effectively as a result of the pandemic?
- Have you noted any major Segregation of Duties (SOD) failures, due to unavailability of resources?
- Have you noted any cyber vulnerabilities or attacks on your control environment?
- Have you considered evaluating the approach of managing major incidents?
- Have you identified any key learnings from the business continuity and disaster recovery drills?

Governance

- Were you able to ensure uninterrupted compliance with regulations and assessed their impact on your business?
- Have you ensured that periodic relevant updates have been provided to the Board of Directors (BoD) and Audit Committee (AC)?
- Have the Board and its Committees considered, in a structured way, the impact of COVID-19 on the internal controls framework?
- Have you identified, through internal audit or other assurance providers, any key areas of concern which need to be reported to the BoD and AC?
- Have you reported changes to the ICOFR program to the BoD and AC?

Way Forward

During these unprecedented times, it is imperative for companies to not lose focus on their control environment and underlying internal controls. Being proactive would ensure the framework is resilient and sustainable enough to withstand any surprises at the year end.

This document is intended to provide thoughts for organizations to consider in their preparedness and take appropriate actions, wherever required. KPMG in Qatar is always happy to support and provide insights into how to ensure sustainable and value adding compliance while meeting regulatory requirements and strengthening the overall management of internal control framework.

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