Rethinking internal controls for pandemic recovery

New challenges ahead

While companies are forced to prioritise their resources, an unintended reflex might be to miss out on critical tasks in the background, such as internal controls. Maintaining normal business operations during unforeseen events takes more than luck. Resilient companies have a strategy and framework to identify and mitigate risk. It is undoubted that emerging from lockdown, both customers and employees will be more vigilant about health and well-being and increase their demands on safety.

For customers, companies will need to provide products and services that adhere to the most rigorous health and safety conditions, and be able to show or explain them to clients.

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For employees, companies will have to reassure employees about safety and well-being and find ways to motivate them in a post-lockdown world.

Responding appropriately to these challenges for both employees and customers is a must if your organisation ambitions a competitive advantage. **Rethinking your internal controls can help towards the path of a resilient organisation.** Organisations have a responsibility to plan a staged recovery from the pandemic to help reduce the health and financial risks of future scenarios, including a second infection wave, a steep economic downturn and permanent changes to employee and consumer behaviours. Many information sources and recommendations have been made available by public institutions. However, rather than offering clarity, they're leading to uncertainty and doubt for businesses. **The nexus of reopening your business in the 'new normal', while securing the safety of your workforce and customers, can be solved by bringing together the risk and internal control specialists with environment health & safety (EH&S) specialists and the well-being function.**

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Learn more about the key considerations your internal control function and EH&S and well-being functions can take to respond to customers and employee challenges in view of the COVID-19 crisis.

The added value of internal controls in crisis times

Any type of crisis is characterised by uncertainty and doubt. People are looking for clarity and trust. That is exactly what the purpose of internal control is all about, to build and provide trust. The fragile connection between reopening your business in a pandemic context, while securing the safety of your workforce and customers, can be strengthened by installing suitable internal controls which help you gain insight into the proper functioning of your business processes.

Therefore, rethinking your current internal control framework is a smart thing to do. Take a holistic approach and install a partnership between the risk and IC functions on the one hand, and the EH&S function and the well-being function on the other hand.

Usually, internal controls in a company are set up in the context of financial reporting. Ongoing review of your organisation's internal control environment is imperative to managing financial reporting risk for all reporting periods. Yet, in these turbulent times, rethinking your current internal control framework is a smart thing to do.

Obviously, these financial reporting controls remain key in the face of COVID-19 and beyond. However, in crisis times, the focus is more on the here and the now and less on the what is next on the horizon. A risk and internal control specialist can play a role in capitalising the thinking of what those next horizons would look like.

Joining forces and creating synergies

As a risk and internal control professional, you can support a shift to a more integrated and strategic outlook together with the EH&S and the well-being function in your organisation. Both of these functions are working toward a common goal: safeguarding the health of the workforce and dealing with the increased safety demands of internal and external stakeholders. Based on the respective mission statements, both groups provide advisory services to management to support the decision making and risk mitigation processes. **To streamline the efforts of both teams, and to enhance the organisational value of both internal control functions and the EH&S and well-being functions, consider combining your skills, especially in providing insights to the board on the effectiveness of the COVID-19 measures taken on employee and customer level.** Join forces and create synergies with this new partnership.

> " The risk and internal control function can create synergies with environment health and safety specialists as well as with well-being experts to prepare their employees and customers for the new normal.

Why a partnership between the Risk and Internal Control function, the EH&S and well-being function?

A **risk and internal control specialist** has solid business knowledge, is aware of the business process risks and knows how to monitor the effectiveness of internal controls in a business context (e.g. financial reporting controls).

An **EH&S specialist** can find his way in this complex labyrinth of information sources and directives provided by the government for the return to the work floor and knows how to prepare and engage workers and contractors.

The **well-being expert** has the know-how about proper implementation and roll-out of health and well-being programs.

Combining these three skill sets helps to respond to the increasing health and safety demands of your customers and employees. **Moreover, this partnership improves the company's ability to protect overall organisational value while raising your internal value to senior management and the board.**

Key considerations that the new partnership can take to respond to customers and employee challenges in view of the COVID-19 crisis:
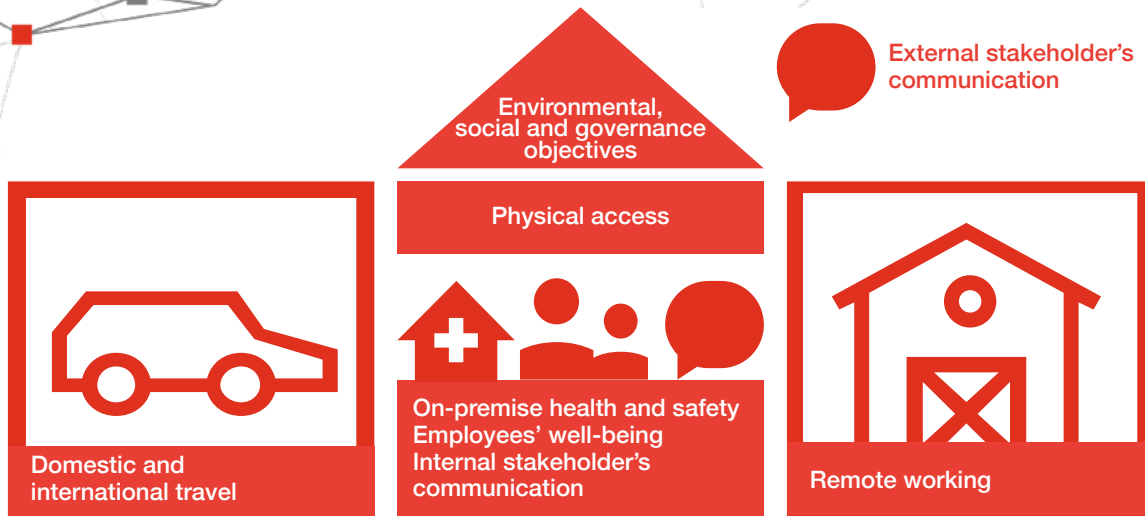
Customer

➔ Define conditions for a safe experience for customers.

➔ Proactively communicate about measures implemented that may not be visible to customers in back offices, production, or storage sites.

Employee

➔ Ensure employee safety in the workplace.

➔ Extend protection measures to employees outside the office.

➔ Remobilise employees. Beyond their safety concerns, employees will raise questions about the extent to which new ways of working adopted during the lockdown will become the new normal.

Rethinking internal controls for all areas

Environmental, social and governance objectives

External stakeholder's communication

Physical access

Domestic and international travel

On-premise health and safety
Employees' well-being
Internal stakeholder's communication

Remote working

Below we have highlighted some key considerations including responses for internal controls over pandemic recovery in essential areas.

Area	Physical access
Considerations	➜ Protocols regarding physical access to facilities need to comply with national regulations. ➜ An infected person may enter the facilities and spread the virus to others. ➜ Changes in physical access procedures could decrease the effectiveness of key physical access security measures. ➜ Access procedures with respect to external visitors may need to be updated in order to guarantee the safety of your employees and theirs. ➜ Low level of activity in the facilities could increase the risk of break-ins.
Responses	➜ Redesign access policies and procedures to guarantee a safe entry and exit of the facilities (social distancing and hygiene). ➜ Implement a strong monitoring of the adherence to the new access measures. ➜ Simplify and improve the tracking of the persons accessing the facilities through the use of digitally enhanced solutions such as a mobile app. ➜ Perform a risk assessment of the facilities to identify security risks, and control gaps that may arise due to your company's COVID-19 response protocols. ➜ Assess existing controls to see whether they cover the identified security risks. ➜ Design and implement controls to ensure that all identified risks are mitigated. ➜ Review current access procedures for external visitors and ensure that identity verification and briefing on new access protocols is included. ➜ Enhance monitoring of physical access controls.

Area	On-premise health and safety

Considerations

→ New measures need to be implemented in order to guarantee compliance with national regulations.

→ A person exposed to, or suspected of being exposed to COVID-19 may be present on the premises.

→ A person exposed to, or suspected of being exposed to COVID-19 may have been present on the premises.

→ Employees may fear coming back on site.

→ Employees may not adhere to the new health and safety measures.

Responses

→ Perform a risk assessment of the facilities and working stations to identify health and safety risks, and control gaps linked to the COVID-19 pandemic.

→ Assess existing controls to see whether they cover the newly identified health and safety risks.

→ Design and implement procedures and controls to ensure that all identified health and safety risks are mitigated.

→ Design a policy containing COVID-19 guidelines, such as social distance and hygiene, which can be applied to all areas of the business.

→ Incentivise employees to respect the new health and safety measures.

→ Monitor adherence to the newly implemented health and safety measures by setting up a digitally enhanced real-time or regular feedback process.

Area	Employees well-being

Considerations

→ Employees may feel isolated and anxious due to being cut-off from their social interactions, both private and work-related.

→ Absences due to sickness or caring for relatives may increase.

Responses

→ Seek bottom-up feedback to monitor employee well-being by setting up a user-friendly and engaging mobile app.

→ Raise awareness of the importance for managers to check in with all their team members on a regular basis.

→ Assess and implement new digital tools to support employees' interactions with each other.

→ Revise absence policies in order to address current circumstances while keeping in mind your company's values and culture.

→ Provide employees with a safe way to voice their concerns (e.g. Pulse surveys).

→ Reiterate the existing employee assistance programs.

→ Organise virtual sessions with experts on specific topics: how to boost your mental resilience, how to boost your fitness, how to practise non-violent communication in crisis times.

→ Peer learnings facilitated by leadership (e.g. how to combine home working with parenting?).

Area	External stakeholders communication

Considerations

→ Current communication channels could be insufficient to maintain a good and reliable communication with stakeholders.

→ Uncertainty may occur due to challenges faced by external organisations which are key to your business activities.

Responses

→ Revise policies regarding external communications to ensure all external partners receive accurate and timely information about your operational reliability.

→ Assess the impact of your COVID-19 response on your suppliers and customers.

→ Monitor your customers' and suppliers' COVID-19 responses and assess their impact on your business operations.

→ Consider what activities need to be outsourced versus what is currently outsourced, based upon changes to your risk assessment.

→ Proactively communicate about measures implemented that may not be visible to customers in back offices, production, or storage sites. These could be end-to-end processes, minimising human handling, testing procedures across the entire supply chain, traceability of components, or strict application of the highest sanitary standards in infrastructure.

→ Be vocal on your social media platforms of the initiatives taken.

Area	Remote working

Considerations

→ Cyber threats increase due to security weaknesses in remote IT infrastructure and applications.

→ Increased pressure on IT and communication infrastructure could lead to the unavailability of key applications and services.

→ Inadequate home office set-ups may lead to difficulties for workers to maintain their productivity.

Responses

→ Evaluate the impact of remote working on the continuity of critical security functions.

→ Perform a digital business continuity assessment to identify your connectivity and process automation gaps.

→ Evaluate and define IT priorities to ensure business needs and security requirements are met.

→ Perform a risk assessment of your entire IT estate.

→ Review your IT control framework to ensure it is aligned with your COVID-19 response and covers the new risks arising from massive remote working.

→ Raise the awareness of your workforce regarding cyber threats.

→ Perform a home office ergonomics assessment to identify the needs of your workers.

→ Assess and implement continuous monitoring of your remote working strategy using data insights.

→ Create remote working security policies defining which forms of remote access your organisation permits, which types of telework devices are permitted to use each kind of remote access, the type of access each type of teleworker is granted, and how user account provisioning should be handled.

Area	Domestic and international travel

Considerations

→ A flare-up of infections could lead to a new government-imposed lockdown, impacting workforce mobility.

→ International borders may close unexpectedly and remain closed for an unknown amount of time.

Responses

→ Implement an emergency action plan and revisit employee mobility policies to minimise disturbance to business.

→ Create or update your business travel policy in order to account for the uncertainty linked to possible flare-ups of the pandemic.

→ Design and implement a framework to help determine which business travels are critical or not.

→ Implement a digital tracking system to determine whether employees are currently travelling outside their work base.

Area	Environmental, social and governance objectives

Considerations

→ Focus on COVID-19 response can lead to oversight of key environmental, social and governance ('ESG') considerations.

Responses

→ Assess the impact of the COVID-19 crisis on pre-existing ESG risks and perform a risk assessment to identify new ESG risks.

→ Define which risks are key in line with business objectives and consider making ESG objectives an essential part of your pandemic recovery plan.

→ Install a new partnership between Internal Controls and Environment, Safety and Health in order to provide a comprehensive COVID-19 response.

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Solidarity and collaboration

In France, Albert Camus' 'The Plague' is selling so well that the entire annual edition for 2020 was already out of stock at the beginning of confinement. **Despite all the anxiety, the award-winning Nobel prize book is characterised by a positive image of mankind.** This is precisely the strength of this novel. The solidarity and collaboration in these COVID-19 times show themselves in many facets: in the untiring commitment of doctors and nurses, in the extended shifts of parcel and delivery services, in keeping one's distance from one's fellow human beings, in consideration for one's neighbours - **and all the other small and large gestures of togetherness. It is in this spirit and with this strength that the new normal and the restart can succeed - thoughtful but energetic.**

Join forces in the domain of internal controls to create a resilient organisation fit for the new normal. Let's go for it!

How can PwC help?

With our own internal specialists in the domains of EH&S, well-being and risk controls & compliance and leveraging the experience of our colleagues in Asia, we can help you strengthen your internal controls to build a business resilient organisation in the new normal.

➔ Benchmark processes and/or systems against leading industry control templates.

➔ Optimise existing internal controls to address the most critical business risks.

➔ Develop a risk-based, internal control framework that deals with the changed customer and employee behaviours.

➔ Upskill your team on controls documentation and awareness in accordance with COSO (Committee of Sponsoring Organisations of the Treadway Commission) method.

If you are eager to learn more about our PwC methodology and would like to share experiences with our experts feel free to contact us.

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