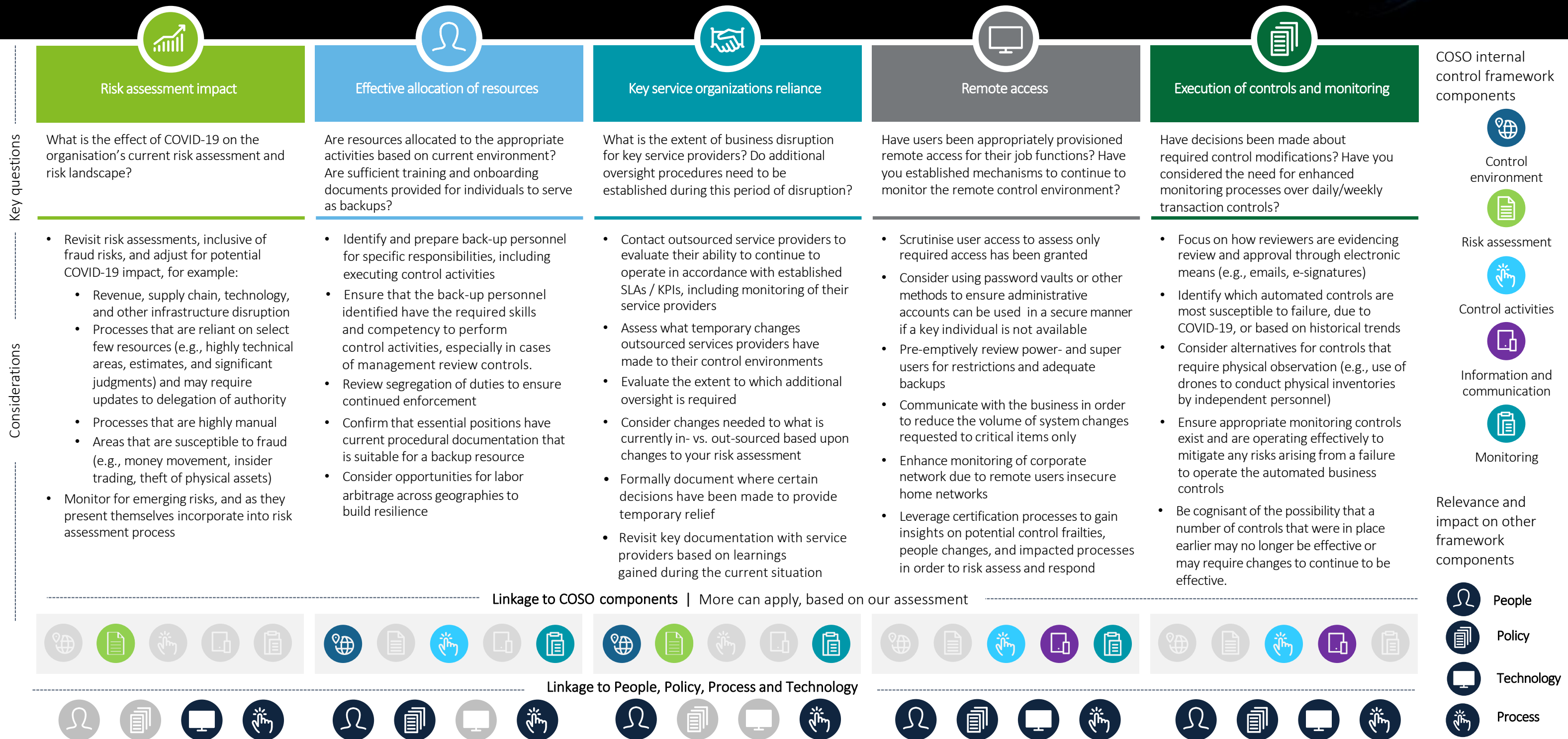


COVID-19: Control environment considerations

Due to the “black swan” nature of this pandemic, there is limited precedent as to how COVID-19 will impact organizations’ control environments. Many companies are experiencing discrete financial “shocks” and broader day-to-day disruption that are directly challenging their risk, control, and defense models. Below are examples of impacted areas, key questions, and considerations based on early client discussions:



COVID-19: Control environment responses

Key questions

Considerations



Communication considerations

Have you considered the need for enhanced communications to both internal and external parties?

- Consider reinforcing the importance of control execution (e.g., newsletters, videoconference)
- Encourage control owners to raise their hands and ask for help if they encounter challenges in performing their controls
- Communicate with control owners to emphasise the importance of retaining high-quality documented evidence to support testing programs
- Promote open and on-going communication with key service providers in order to identify the need to alter the current interaction model
- Establish accountability and owners for communicating key issues being dealt with and to provide on-going status
- Consider building enhanced reporting models for reporting within the entity as well as within the group to ensure timely receipt of essential information
For example, financial and non-financial reporting metrics / exceptions to drive focus



Preparation for future controls assessments

Have you considered updating your control descriptions or creating alternative controls?

- Create or enhance existing policies and procedures to adapt to COVID-19 impact, inclusive of roles and responsibilities, timelines, and form of relevant artifacts
- Evaluate impacted areas for changes to people, process, and technology, and update controls accordingly
- Engage with all testing parties (testers and those being tested), including financial statement and service auditors, to understand/communicate expectations
- Raise significant changes to risks and control environment to senior management and boards
- Prepare for the likelihood of remote testing and the need for greater cooperation with both internal and external parties involved in testing
- Consider the use of technologies to support the testing, in particular communication tools and file sharing platforms, to allow testers and business personnel to assess required information
- Prepare a contingency plan in case there are increased levels of findings



Impact on key governance documentation

Have you considered the impact on your key governance documentation?

- Identify what governance documentation would require change and prioritise such changes to best address business needs as well as allow changed control activities
- Consider the impact of such changed governance documentation on the IT systems
- Formally document changes to your business, certain decisions made, and the impact these may have on your governance, risk management and internal controls
- Consider how you plan to revert back to your original governance framework after COVID-19



Use of technology

Have you considered how technology could be best used to perform control activities and the challenges that you could face in this environment?

- Changed roles within IT are carefully managed to ensure that developers do not have access to promote changes to a live environment
- Consider enhanced cyber-risks
- Ensure that the pressure to make changes do not drive the IT personnel to perform inadequate testing before they are allowed to go-live
- Assess the impact of dependency on third party vendors or external service partners in case they may not be able to deliver as expected
- Consider if automated interfaces will be monitored in a timely manner considering absence of some IT personnel

COSO internal control framework components



Control environment



Risk assessment



Control activities



Information and communication



Monitoring

Relevance and impact on other framework components



People



Policy

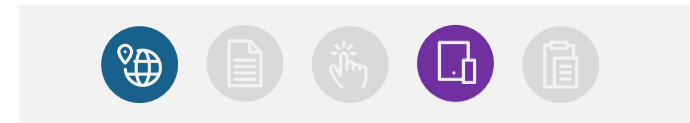
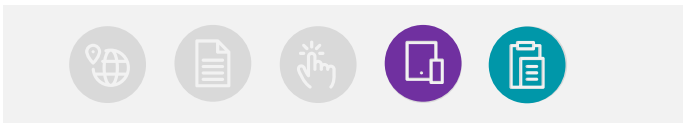


Technology



Process

Linkage to COSO components | More may apply, based on our assessment



Linkage to People, Process, Policy and Technology



COVID-19: Control environment resources



Additional resources

For updates on COVID, information on new guidance, and resources available to you, please visit:

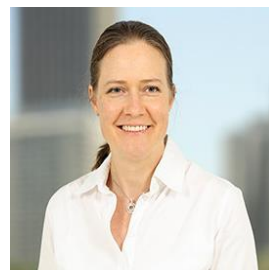
- Deloitte COVID-19 homepage: <https://www2.deloitte.com/au/en/pages/covid-19/topics/au-combating-covid-19-resilience.html>
- The future of controls <https://www2.deloitte.com/uk/en/pages/risk/articles/controls.html>
- Controls Assurance <https://www2.deloitte.com/au/en/pages/audit/solutions/specialists-controls-assurance.html>
- Control transformation <https://www2.deloitte.com/au/en/pages/risk/solutions/control-transformation.html>
- Mitigate efforts through controls modernization: <https://www2.deloitte.com/us/en/pages/financial-advisory/articles/controls-testing-and-compliance.html>

Deloitte contacts

We're here to help. Please reach out to the key contacts below for more information:



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