

**INTERNAL AUDIT
UPDATE**

**How to Ensure Business
Continuity & Managing Risk
in Covid 19 Era**



HOW TO ENSURE BUSINESS CONTINUITY AND MANAGING RISKS IN COVID 19 ERA

- ❖ There is no doubt that the pandemic covid 19 has impacted the economy at the highest level. Almost all the industries have faced business operation issues due to lockdown and Issues like supply chain disruption, labor unavailability, high fixed cost loss etc is omnipresent in almost all the industries.
- ❖ At such times it is even more important for the companies to be proactive in their decision-making to preserve and build enterprise resilience. And to accomplish the same it is extremely important for the organizations to manage risk areas.
- ❖ **There are various risks faced by the organizations:**
 - **Supply chain:** Re-channeling the supplies through different routes resulting in higher cost and time delays in receiving/sending goods, and consequent impact on customers and production.
 - **Cyber Frauds:** Data security and various cyber frauds due to excessive use of technology to get the work done.
 - **Disruption in Operations:** Reduced resilience in key functions, lack of human resource, infrastructure and services becoming unavailable.
 - **Decline in Top Line:** Decreased sales due to decrease in demand due to slow paced economy in lockdown is resulting in reduced cash flow and termination of contracts with customers.
 - **Human Resource:** Protecting the safety and health of employees, especially those living in affected regions and those who are coming to factory to run the operations. Migrant labours have also given a major setback to the industries leading to shortage of working hand in the industry.
 - **Decreased cash flow:** Due to lack of demand there has been decreased cash flows impacting business as a whole.

- **Travel Restrictions:** Restricted or prohibited travel to impacts running of business smoothly
- ❖ **Ensuring Business continuity** : It is imperative for the organizations to consider business continuity as the biggest threat and must take measures to mitigate business continuity risk at the earliest. Business continuity can be ensured through the following ways worked together at a time:

1. Forming Strategies for business resilience:

Higher management must do regressive planning to handle significant disruption to the business operations business and its underperformance and downfall throughout the duration of the COVID-19 crisis. Companies must determine and monitor their vulnerabilities and address these challenges:

- Determine how the COVID-19 crisis affects budgets, plan and forecast. Companies should revise their plan and budgets to remain agile. Companies must monitor potential impact on financial performance and assess how long the impact may continue.
- Assess financial and operational risks and evaluate impact of the same. Companies should monitor increase in direct cost and their impact on overall profitability of the company.
- Supply chain has been significantly affected internationally making worse for import and export of goods and even domestic supply chain has been terribly disturbed. In such circumstances management must consider alternative options for supply chain. Companies that source parts or materials from suppliers in areas significantly impacted by COVID-19 will want to look for alternatives. For ex. Moving operations from red/containment zone to some place where COVID-19 impact is less.
- Renegotiating terms with supplier and customers. Companies which are slow to react or unable to renegotiate new terms and conditions are more vulnerable to the situation and can have long-term effects.

- To cater to need of continuous business operations companies may consider refinancing or take additional short/long term credit support from banks or investors, or policy supports from govt.
- Evaluate short-term liquidity. Companies should analyze the prospective areas to receive cashflow and take action in timely manner to recover from debtors etc.
- Put strict discipline on working capital managing and inventory build-up.
- Companies must review overall operating costs and consider slowing down or curtailing all non-essential expenses.

2. Regular Interaction among and /with stakeholders

- Transparent and timely communications is necessary with customers, employees, suppliers, creditors, investors and regulatory authorities at the time of bringing business on track.
- Companies will want to keep customers aware of any impacts to product or service delivery. To recover any due balances from the customers.
- To take proactive action to mitigate punitive damages or liabilities associated with disrupted customer obligations by invoking force majeure clause.
- Companies need maintain regular contact with suppliers regarding their capability to deliver goods and services during the COVID-19 crisis to ensure smooth supply chain.
- Clear communications with employees will enable ease in working for the employees working from home and also for those who are in the factory for the operations to make arrangements for work that cannot be done remotely.
- Communication with govt. will help in making use of various relief measures as relevant to the business.

3. Maximize the use of stimulus given by government

- Stimulus package of 20 lakh crores has been introduced in the country.
- Companies must identify and understand each offer of support and determine how they can avail maximum benefit of the relief measures introduced by the government.

4. Giving prime importance to Employee safety and promoting work from home

- Ensuring the safety and wellbeing of the employees in the workplace is essential.
- Companies should make policies and make provisions enabling for work from home.
- In case of manufacturing companies, people required to operate machines and engaged in production should only be called.
- Extensive sanitation in the organizations' premise must take place and social distancing should be strictly followed and stringent actions should be taken for not wearing masks in the premise.

5. Execute the new plans and take actions for business resilience for

- Once the above activities are done, management must execute based on revised plans and strategies while monitoring what continues to be weak area in the business.
- They must create strategies / plans as per the changing environment and react with agility in least time.
 - ❖ To ensure business continuity, having an emergency plan is essential. In the current situation, it is vital to react as fast as possible in order to mitigate impacts and other risks and to prepare the organization for the further development of the COVID-19 pandemic and its possible scenarios.
 - ❖ Cautious and prompt reaction will enable the organization to come out of the crisis beautifully.

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