

A QUARTERLY PUBLICATION ON ACCOUNTING & AUDITING MATTERS

CLARITY

20
COVID-19
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A COVID-19 SPECIAL

EDITION



CORONAVIRUS - CREATING CONNECTIONS

IN THIS ISSUE

Planning For Continuity In A Crisis [03](#) | IT Risk Management For Your Remote Workforce [04](#) | Drawing Positives From A Tough Situation [05](#) | Top Tips: Risk Management Basics In A Time Of Crisis [06](#) |

WELCOME TO THE COVID-19 SPECIAL EDITION OF CLARITY

Welcome to our COVID-19 special edition of Clarity. Our aim is to deliver greater clarity and understanding to our clients on the current emerging accounting and audit issues. We also look to provide thought leadership, and share our knowledge and expertise, in areas that will solve problems and create solutions for clients. We hope you find this edition of value and please feel free to contact your local Audit and Assurance Partners for any further assistance.



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2

COVID-19 | CLARITY
SPECIAL EDITION

PLANNING FOR CONTINUITY IN A CRISIS

The COVID-19 outbreak has created a raft of new challenges and issues which most Business Continuity Plans would never have contemplated in their wildest dreams. There is no established playbook for continuity with this type of issue. Previous economic slowdowns have had the effect of slowing activity, whereas with this one, it has brought entire parts of the economy to a grinding halt. There could be more to come. These are different times.

Our team has been working with clients over the last four weeks to ensure that their Continuity Plans place them in the strongest position by comprising a Pandemic Response and Emergency Response Plan. Insurers and in particular financiers, are increasingly making enquiries of business to ensure that they have specific Pandemic related plans in place to address not only the unique risks posed by COVID-19, but to also address the risk of any further pandemic related events into the future. This could become a mandated part of doing business in the future.



What does a Pandemic Plan include?

- **Additional employee safety protocols:** Our workforce is increasingly required to work from home; some are still working out on sites and potentially exposing themselves. The importance of ensuring that mental health impacts are monitored and supported is now more important than ever.
- **Infection plan:** This is a big one. Third parties such as insurers, financiers, and critical contractors will expect that you have a very clear decision tree of the steps that must be undertaken if someone becomes infected. If infection occurs in a key factory, it is likely your factory will need to be closed and cleaned, and workers tested. A COVID-19 clean is not something your local cleaner will be able nor accredited to do – it is becoming increasingly clear that this type of clean is undertaken by only a few, is expensive, and takes time. These cleaners are going to be very busy. On that basis, when will your factory be back up running and what does that mean for your continuity of operations and cash flow? A clear infection plan and decision tree will manage these issues.
- **Workers in remote locations:** Having clear plans to be able to extradite people immediately from their worksite and if necessary, to hospital, will be critical.
- **Contractors and third parties:** While we are busy ensuring we are COVID-19 ready, are your contractors and third parties as ready as you? Are they exposing your organisation to a pandemic risk by not having sufficiently robust protocol in place? Additional checks and balances will be required in order to assess this and support the continued continuity of your operations.
- **Outsourced arrangements:** Have you identified business critical functions and isolated where these are outsourced? Do you have a plan if the outsourced arrangement all of a sudden becomes unavailable? Routine matters such as outsourcing of payroll are often over-looked but can cause big issues if they suddenly stop functioning without a backup plan.
- **Key person dependency:** Have you identified all business critical functions and made sure there is a person who has been appropriately trained and informed to “step up” if the key person becomes unavailable?
- **Insurance:** What does your continuity cover say? Does it contemplate a matter such as this? Do not assume that it does, and make sure this is checked.

This is only a few of literally hundreds of permutations of matters that need to be considered in the conditions of a pandemic.

Traditional continuity and response plans will be in urgent need of review.

IT RISK MANAGEMENT FOR YOUR REMOTE WORKFORCE

Over the past few weeks, many businesses are minimising office staff and requiring employees to work from home. Conferences are being cancelled and meetings are moving into the virtual spectrum. Many businesses have a business continuity plan, but a lot of businesses still don't.

For those that have a plan, remote access strategies will be put to the test. For those that don't, the urgency to create one will be pushed to the forefront and defined on the go. If you haven't already defined and verified your remote access solution, be sure that you factor in security. While you certainly need to operate, you don't want to expose the business to being compromised or trigger an inadvertent data breach. For example, allowing employees to take copies of data on removable drives from the office location to work from home may result in data loss should the drive be misplaced.

The following should be considered as part of your strategy:

Confidential and Sensitive Data

If your employees access sensitive data, they should be provided with a company-controlled and secured laptop, inclusive of encrypted hard drives. While ideally, everyone will have a laptop to work remotely, that may not be a financial reality or a necessity. If you need to prioritise, focus on the high-risk employees based on the sensitivity of the data they need to access.

Multi-factor Authentication

Any remote access or cloud-based application should leverage multi-factor authentication. This is particularly important if you embark on rapid deployment of remote desktop software such as LogMeIn or GoToMyPC to allow employees to utilise their own equipment at home to connect to their at-work resources.

Home Security Checks

If you have the resources, offer to have your IT department perform a security check on employees' home devices if the ultimate decision is that they need to work from home using their own equipment.

Data Storage

Try to limit the options for employees to save data out of secured locations to their own devices. The capabilities will depend on the solution you implement.

Remote Access Strategy

Ensure you establish and communicate clear expectations of the working-from-home strategy. While you may not be able to implement the ideal set of technical controls to manage risk, you can ensure your employees play their role and know how to work efficiently and securely when not in the office.



Empower them with the knowledge of the risk so they know how to manage it.

Unauthorised Devices

Monitoring the use of unauthorised computers/device and their access to the network. This is especially important for companies that have adopted/allowed employees to use their own devices.

Phishing and Scam Emails

Be more vigilant on the lookout for phishing emails and sites. Empower them with the knowledge of the risk so they know how what to look out for. The coronavirus scare is the perfect mechanism for cybercriminals to leverage and trigger that emotional response.

Secured Network and Prevention

Ensure all employees use a Virtual Private Network (VPN), or other encrypted means of communication to prevent eavesdropping on shared Wi-Fi, along with reviewing firewalls and antivirus software. Securing of the home router will also minimise unlawful access.

Data Management Post Crisis

Once the crisis begins to subside, communicate to employees that any saved data to non-traditional locations during the course of the crisis be securely returned to the company and removed or destroyed from those other locations.

This is without question a scary time with potentially devastating consequences to human life and the operational stability of businesses. However, know you are not doing it alone. If you need assistance in establishing a secure work-from-home protocol or creating a cybersecurity program designed to be resilient regardless of the issue, we are – and will remain – available to assist you.

For more information or any advice on establishing cybersecurity protocols for your working-from-home arrangements, please contact one of our IT and Risk Management specialists.



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“ The pace and severity of COVID-19’s impact has caught all of us by surprise. It presents an amazing opportunity for organisations to challenge the traditional paradigms. ”

DRAWING POSITIVES FROM A TOUGH SITUATION

It is said that necessity is the mother of invention and COVID-19 requires business to think differently. Looking at this situation through a glass half-full lens, is COVID-19 providing us with an opportunity to better position our businesses? Some of the ways it could be helping you innovate include:

1 Consider your distribution channels: Some key questions to ask – what can you do to retain your existing clients? What can you do to attract new clients now and into the future?

We’ve seen restaurants and cafes offering take-away for the first time. What can other businesses and industries learn from this? For example, what’s stopping gyms or personal trainers delivering online fitness classes? Or offering to rent or sell kettle bells to their clients for use home use? This benefits two businesses; the fitness business and the kettle bell manufacturer/seller.

Benefit: An innovative approach to the delivery of products and services can enhance your custom – it will be worth the effort!

2 Teamwork and encouraging innovative thinking: Business owners don’t have a monopoly on good ideas! Dedicate time each week for your team/advisers to get together (virtually of course) and encourage and brainstorm new ideas. Does COVID-19 give your business a ‘blank canvas’ to work from and the ability to remove any existing inefficiencies that would no doubt still be present when normality resumes?

Benefit: You’ll be able to remove inefficiencies but also identify and reward those innovative and engaged employees wanting to help your business through.

3 New technologies and systems available: Working remotely is challenging the way we interact with our employees and our clients, however, let’s not lose sight that there are lots of organisations that have been working this way for many years. There are a number of tools and systems available to assist. A myriad of technology companies are offering free versions of their services and tools during the outbreak. It

saves your team time with no commute and, could save on your leasing needs in the future?

Benefit: Systems and tools introduced now can manage your current teams and positively influence what your workplace in the future looks like.

4 Review your customers: Perform a proper interrogation of the profitability of your clients and the margins you’re generating. Are you serving those that aren’t adding to the bottom line? You’ll come out of COVID-19 with a clearer understanding of who your key customers are and who you want to be in business with.

Benefit: Understanding who your most profitable clients are.

5 Is there fat in your profit & loss? Can your business function properly without the provision of certain goods and services? Most organisations can reduce at least 5 - 10% of operational expenditure by eliminating non-essential costs. Generate rapport with your suppliers by guaranteeing them custom but asking for discounts/extended trading terms in return. Adopt a ‘minimalist’ attitude to spending in the coming months.

Benefit: Certainty of supply and better supplier terms now and into the future.

6 Access to assistance: The Federal Government has recently announced measures to help business cope. Most SMEs will have access to this assistance.

Benefit: There is much stimulus and relief available – don’t suffer in silence, make the most of it and if you don’t understand how best to reap the benefits, seek advice!

The pace and severity of COVID-19’s impact has caught all of us by surprise. It presents an amazing opportunity for organisations to challenge the traditional paradigms. Adaption now may help you to come out the other side in stronger shape than pre-COVID-19.

TOP TIPS: RISK MANAGEMENT BASICS IN A TIME OF CRISIS

The need for an effective business continuity plan and the development of crisis plans has never been more compelling as business needs to brace for the impact of COVID-19. This pandemic is now causing significant disruption to businesses on a global scale. The agility of our people systems and processes will be put to the test in the coming weeks and months and our ability to be agile in the short to medium term is paramount.

In the absence of the above plans, businesses still need to consider forming crisis plans and ensuring that they have a crisis team in place. Some tips to responding to this crisis are detailed below:

- 1** Make sure that your employees are front of mind.
 - 2** Determine critical functions to keep your business operational for as long as possible.
 - 3** Are you able to utilise cross-skilling to fill gaps left by employees being unable to report for work?
 - 4** Examine supply-chains and look for redundancy if supplies are at risk.
 - 5** Are you able to operate from another location if you are unable to access your business premises?
 - 6** Is your VPN able to cope with the added workload of people working remotely (are there work-a-rounds to assist)?
 - 7** Does the use of VPN and other communication systems provide your business with the requisite level of cybersecurity required?
 - 8** Have you updated cash flows to further identify critical periods for your business?
 - 9** Have you explored assistance from lenders, government and other sources to assist your business through this period?
- Should you require any further information or assistance please do not hesitate to contact PKF.



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“
Make sure that
your employees
are front of mind.
”





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Looking for a fresh and vibrant perspective?

The PKF Audit & Assurance team across Australia is open for business and we are proactively assisting our clients navigate through these times of great uncertainty. We may be working remotely but we are building new ways of working to deliver our services with the passion, knowledge and insight needed at this time.

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About PKF

PKF brings clarity to business problems with simple, effective and seamless solutions that break down barriers for sustainable growth.

PKF Australia firms are members of the PKF International Limited (PKFI network) of legally independent firms in 440 offices, operating in 150 countries across five regions.

In Australia, PKF offers clients the expertise of more than 90 partners and 750 staff across audit, taxation and specialist business advisory services.

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- Passion
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