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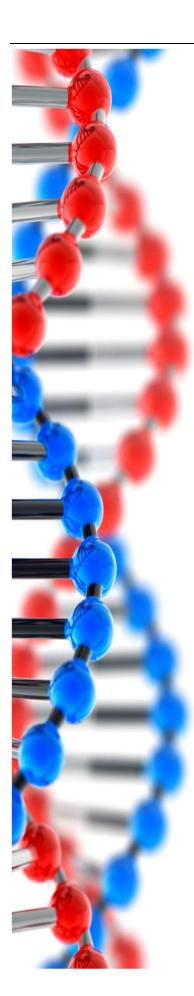
## **ABOUT THIS GUIDE**

This guide aims to provide insights into the relevant impacts of COVID-19. It gives general risk response guidance for companies to consider when deploying business continuity planning (BCP) measures to combat the epidemic and, more importantly, to maintain the agility to overcome the difficulties faced.

We understand that a single set of procedures or responses might not fit all organisations or each company's individual situation. We recommend that you contact your consultants for specific advice.

Jonas Jonga Partner - IT & Advisory BDO in Zimbabwe





#### INTRODUCTION

Based on the World Health Organisation's (WHO) declaration that COVID-19 is a public health emergency of international concern, and whose impact will continue to be felt for a long time, it is important for executives to prepare their businesses to weather the Coronavirus (COVID-19) storm and survive its after effects. Simple precautions and planning can make a big difference.

At the time of compiling this guide, indications on the ground in Zimbabwe are that after a slow rate of infection, the rate was starting to pick up. Other studies also indicate that the coronavirus will remain in Africa for some time and may even result in later infection peaks. It is important for companies therefore to continue protecting their employees and their businesses.

#### ORGANISATIONAL READINESS

It naturally follows that organisations need to ensure that the wellbeing of their employees and families are of paramount importance, whilst also safeguarding their business. This is especially relevant for small and medium-sized businesses that may not have the resources of a large corporate organisation to support them.

As it is still unknown how long the epidemic may last, we recommend that companies carry out a thorough assessment of the risks and potential impact of the epidemic and implement swift responses to mitigate any business disruption, including being ready for a prolonged period of time where certain restrictions that came with the lockdown may continue to be in place.

# **EPIDEMIC PROMPTS CORPORATE DISCLOSURE**

Since the outbreak of the Coronavirus, the impact on businesses have progressively been unveiled. Some of these impacts include interruptions to the supply chain, failure to meet revenue targets due to the restrictions imposed as a way of stopping the spread of the coronavirus by various. At the time of compiling this document, the President of Zimbabwe had just announced a further 14-day lockdown up to 17<sup>th</sup> May 2020, though with a relaxation of some of the restrictions. Without doubt, investors, shareholders, employees, and regulators are concerned about the outbreak's effects on business performance. To meet their information needs, they require adequate disclosure of interruptions to business and the mitigating measures that are implemented, and quantification of the impact of the consequences.

Even if not directly regulated, organisations should still consider the level of disclosure that might be appropriate for its shareholders and investors. The impact on revenue and profitability figures should be estimated and any finance providers kept up to date with the potential impact on agreed loan obligations and other covenants.

#### **IMPACT AND RISK RESPONSE**

In the face of the epidemic, business executives are taking precautionary measures and busy working around the clock to formulate action plans to mitigate risks and their impact on business operations, while at the same time meeting the needs of their customers, employees and other stakeholders. We present below some of the areas that needs to be monitored and planned for from a risk impact point of view;

Impact on sustainability
Impact on contract compliance
Impact on supply chain
Impact on health and safety
Impact on technology

## Impact on sustainability

The impact of the Coronavirus on businesses has already been felt and for many, it will be catastrophic. The impact has been through disruption of business activities, mainly because of measures to control the pandemic. For instance, companies in the travel and tourism industry have seen a sharp decline in cumber of customers due to curb of free movement of people. The same can be said for companies whose services have not been considered essential and have had to close operations for the duration of the lockdown.

Some organisations may also been forced to cease operations for an extended period or operate below capacity due to the impact on their workforce, customers, or suppliers.

These issues may affect companies' sustainability due to such factors as falling revenue, reduced financial liquidity and the going concerns of key business

#### Risk response

It seems like the epidemic will not end soon and it may continue for a prolonged period. The IMF has come up with scenarios that point to the possibility of future resurgence of the epidemic, especially in cases where the virus control measures are discontinued early. Businesses know and understand that Cash is king: the critical element in any time of uncertainty is to ensure that the company's liquidity position can be maintained and to buy time for the company to recover.

We recommend that the company management establishes a taskforce to monitor the level of impact on the business and, periodically and as needed, to report to the board on the status of the key performance indicators for critical business units. Companies may also consider the following actions, among others:

- Conduct a thorough risk assessment of business operations, taking a holistic approach across the globe rather than focusing on certain regions, to assess the level of possible interruption and formulate measures to mitigate potential impacts.
- Review the pace of expenditure in relation to the company's expansion plans and existing development projects (if any) and slow down the cash burn rate.
- Re-prioritise the allocation of resources to unaffected business lines.
- Explore and identify business transformation opportunities and models to reduce over-reliance on existing business segments.
- Identify measures for controlling budgets and making cost savings, such as assessing the possibility of outsourcing certain business processes in a costeffective way.
- Explore opportunities for collaboration with new strategic business partners for new market development and to meet customers' needs.
- Identify alternative solutions if forced to suspend operations at the business premises.

## Impact on contract compliance

Companies may not be able to manage all the Coronavirus-related issues resulting from business interruptions, whether they are caused by third-party default or within the company, and some may be unable to meet their contractual obligations because of supply-chain interruptions or unforeseen events beyond the company's control hindering its performance.

## Risk response

We recommend that companies consult their legal advisors and review their contracts to determine what, if any, rights and remedies they have as a result of the delayed performance of contracts.

Companies should also take (and document) reasonable steps to mitigate the impact of the Coronavirus as evidence for defence. If companies cannot fulfil their contractual obligations, they may need to quantify the amount of financial damage and the impact on their long-term business relationships.

Companies should review their existing insurance policies to find out whether any losses they incur relating to the Coronavirus can be covered under existing terms or whether they need to adjust their cover for maximum protection.



#### Impact on supply chain

Governments around the world have taken measures that limit the movement of goods and people between their borders and those of other countries, Zimbabwe included. With China and America being the factories of the world, as it where, the global supply chains have been affected or disrupted. For Zimbabwe, this has also been compounded by the lockdown in South Africa and internally.

With Zimbabwe being a net importer, and heavily dependent on South Africa, Middle East and Asia for its imports, the supply chain impact is more likely to manifest itself with restricted service from suppliers. Whilst most will have contingency measures, usual turnaround times may be impacted and any significant period end peaks that require full resource availability may also be impacted.

#### Risk response

If a company is aware of a risk of disruption in its supply chains, it should take the following steps, among others, to mitigate the potential consequences of any disruption:

- Understand the behaviour of disruptive models applied to the supply chain and establish the time point at which such disruption is located.
- Consider re-prioritising work to respond to market impacts associated with the threat, if in retail or hospitality, increase safety stock levels and stockpile essential supplies and resources.
- Pre-qualify alternative domestic or international suppliers and outsourced vendors in case primary suppliers can no longer provide support.
- Formulate contingency measures, give first response, and anticipate possible failures in the supply chain.
- Assess if suppliers have documented plans for business unit continuity and information technology disaster recovery, including for critical business.
- Take into consideration the absence of many critical staff over an extended period.
- Estimate the recovery time for the supplier's "mission-critical" business processes.
- Develop actions for business recovery. For example, finding and approving new suppliers, delaying time critical work, engaging with clients to re-prioritise service delivery.



#### Impact on health and safety

The Coronavirus is an infectious disease. Gathering employees together at the workplace may put them at risk of exposure to the virus. Even when the current lockdown restrictions are lifted, the epidemic will continue making it challenging for companies to strike a balance between continually maintaining productivity and efficiency and providing a safe working environment for their employees.

It is important therefore to adopt adequate preventive measures and maintain an effective communicable illness policy to help ensure a safe work environment for employees, customers and clients.

#### Risk response

To protect employee and customer safety while minimizing adverse economic impacts on the business, companies may consider the following actions, among others:

- Always remind employees about the importance of maintaining personal hygiene in the workplace.
- Adopt an effective but ethical employee screening system
- Ensure safe transport is provided for employees who must use public transport to get to the workplace
- Establish a quick process to identify who will take charge at operational locations to oversee a crisis management plan and local employees, in the event a second wave of infections where to recur.
- Disseminate information on precautions to stop the spread of the virus.
- Constantly update on records of travel and monitor employees' exposure to the source of the Coronavirus.
- Adjust seating arrangements in the workplace so that a safe distance can be maintained between employees.
- Review and evaluate home office working policies and capabilities.
- Provide sufficient and accessible infection control supplies (PPE).
- Establish procedures for regular body temperature checks for employees and visitors and ensure these are followed.
- Comply with all compulsory reporting and quarantine requirements announced by the health authorities.
- Report on and monitor sick leave and symptoms.
- Sensitize employees against circulating messages on firm-wide social media that may cause fear, anxiety, and misinformation among employees and plan communications accordingly.
- Develop a platform or communication channel (e.g. hotline) to communicate information about the pandemic inside and outside the organisation.



## Impact on technology

The outbreak of the Coronavirus has caused significant disruption to many businesses. As such, many companies have activated contingency and business continuity measures. The lockdowns that have been imposed by many countries, Zimbabwe included, have heightened the need to have employees work from home to limit the spread of the virus and comply with lockdown requirements. These employees connecting to the company's networks remotely.

At the same time, with the popularity of smartphones and instant messaging applications, employees can communicate with colleagues, customers, and vendors via mobile applications.

With many companies already having experimented with the 'work from home' concept, it is envisaged that a lot of them may opt to continue with the arrangement to avoid the costly infection control supplies and systems

#### Risk response

In general, it is important to ensure that network connections are secure and mitigate the data protection risk associated with communicating through mobile applications. Companies may consider the following responses, among others:

- Assess if the security settings for remote connections and secured individual access mechanisms are in place.
- Adopt multi-factor authentication for employees who are logging into the company network.
- Review communications and information technology infrastructures as needed to support employee telecommuting and remote customer access.
- Enhance user awareness of cyber-attacks and alerts on these.
- Monitor the use of unauthorised computers (especially for companies that have adopted a Bring Your Own Device policy) and their access to the network.
- Review the data backup policy and the frequency and adequacy of backup practices.
- Review the appropriateness of using social media and instant messaging applications for business purposes. Minimize or even prohibit the transfer of confidential and businessrelated files over social media applications.
- Communication over instant messaging applications should always involve at least two relevant key employees to avoid loss of correspondence for future reference.





# TOP TEN QUESTIONS FOR YOUR SENIOR MANAGEMENT TEAM

Health experts predict that COVID-19 will be around for some time to come, and at country level, how long it remains will depend, among other things, on when governments lift the current social distancing restrictions and their ability to roll-out massive and comprehensive testing. Countries with limited testing capacity like Zimbabwe face the major risk of a resurgence of the epidemic that may lead to further lockdowns. Executive are encouraged to always have a well-developed plan that will allow organisations to respond to the impact of COVID-19 efficiently and effectively, presently and in future reinfections. The following questions can assist your organisation in considering how you prepare for these impacts.

- Do you have a developed and tested plan of what to do if someone becomes ill with suspected COVID-19 at one of your workplaces?
- 2. Have you prepared and promoted regular 'remote working' across your organisation?
- 3. Has your plan considered fully utilising technology to reduce the need for face to face interactions during a set period, and if so, what is the assessment for how long you can operate in this way?
- 4. Do you have the right technologies in-place to enable remote working such as Microsoft 365?
- 5. How are you managing the risks of clients and sensitive documentation that still needs to be accessed whilst working offsite?
- 6. Have you developed and tested a contingency and business continuity plan for an outbreak in the communities where your business operates?
- 7. Do you have confidence that your plan has been sufficiently tested covering those key areas of people, process, and technology?
- 8. Does the plan address how to keep your business running even if a significant number of employees, contractors and suppliers cannot come to your place of business?
- 9. Have you identified the critical activities that your organisation carries out which must continue during a pandemic and identified your key person dependencies and minimum staffing requirements, and do you know how long this will be sustainable?
- 10. Have you chosen your location, will you split resource between the main office and your contingency site, do you have a contingency site to segregate the risk and in such instances where your office may need to close for a deep clean?

## **CONCLUSION**

To best monitor the risk to an organisation, early preparation and readiness is key to ensure your plan can be activated at a moment's notice to counter what is a very fluid situation. It is imperative that your organisation, when developing a response, consider a review of plans to reflect and respond to current detailed health advice issued by the World Health Organisation and governments.

# **ABOUT BDO**

#### **BDO Global**

BDO is the world's fifth largest global accounting and advisory network. BDO's global organisation extends across 167 countries and territories, with 88,120 professionals working out of 1,809 offices. BDO endeavors to deliver truly exceptional client service through a tailored solutions approach, while partnering with our employees and clients globally.

#### **BDO in Zimbabwe**

BDO in Zimbabwe, as part of the international BDO network, has committed to provide our clients with exceptional service. BDO in Zimbabwe currently has over 150staff delivering comprehensive business services.

Our multi-disciplinary capability enables a holistic approach to be taken when working with our clients as their trusted advisor, through all stages of the business lifecycle.

Our directors lead the delivery of services to our clients and are closely involved with them on an ongoing basis. These services include:

- Assurance
- Tax
- Advisory
- Technology
- Digital
- Business Services & Outsourcing

#### **BDO Risk Advisory Services**

Risk management and internal audit have always been the cornerstones of good corporate governance. Increased regulation, scrutiny public and increased greater globalisation have placed reliance on the Board, the Audit Committee, and executives to oversee the effectiveness of risk management, financial operations, and internal control systems. For large and small businesses alike, our Risk Advisory Service (RAS) Team has assisted companies in delivering enhanced corporate governance practices, including evaluating the performance of the internal audit function -from conducting a thorough assessment of risk across the organisation, to designing strategic internal audit programmes, to reporting findings to management, the Board and other stakeholders.

As well as identifying issues, we work with management to ensure that tailored solutions and appropriate controls are in place. At BDO, our RAS team is comprised of a group of dedicated and experienced professionals, enabling us to provide a wide variety of professional services including:

- Outsourced or co-sourced internal audit services
- IT security and digital services advisory
- Business Continuity advisory
- Regulatory & Compliance advisory
- Transformation & Change services
- Corporate governance training
- Automation governance frameworks
- Data Privacy services



# **BDO Risk Advisory Leaders**

If you have any questions, comments, or suggestions, please contact us. To learn more about BDO Risk Advisory Services, please visit <a href="https://www.bdo.co.zw">www.bdo.co.zw</a>



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