

HOW INTERNAL AUDIT CAN HELP TO IMPROVE EBIDTA

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Surviving Lock-Unlock Scenario

C -19 uncertainties continue unabated as businesses learn to lock and un-lock their daily activities in pandemic times. While businesses learn to navigate the pandemic with eyes on cashflows and costs – can they afford to lower their internal control safeguards?

To add to the adverse business landscape is the continuing lock-unlock-lock-unlock scenarios playing out, testing the resilience of business to stay internal control-fit.

Adverse business times where liquidity and business confidence are squeezed present a tempting opportunity for lowering the tone and guard as priorities are focused on survival and sustenance rather than quality of service and internal controls especially in case of small and mid-sized enterprises.

C-19 – Typical Situational Traps & Likely Internal Control Safeguards

Lock-unlock situation creates stress on people and organisations alike, impacting the business speed and value generating milestones, cash flows and internal controls. In the current context key situational traps that the Internal Auditors and people charged with governance should look out for are: –

No	C-19 - Threat Traps	Likely Safeguards
1.	Stress at all levels of the organisation. C-19 uncertainties are adding to the psychological stress.	<ul style="list-style-type: none"> • Plan for periodical employee engagement, release, and fun activities. • Rotate tough customer facing jobs periodically so that there is sharing of work profiles. • Relax target achievements temporarily.
2.	Employee ill-health issues that have the potential to dilute the chain of authority compromising the maker-checker-verifier internal control	<ul style="list-style-type: none"> • Taking assistance of senior staff to fill the gap in authority. • Monitor employee health through a regular health tracker/ update. • Track employee vaccination completion
3.	Labour mobility / high rates of attrition/ Lay Offs	<ul style="list-style-type: none"> • Assessing the impact on internal control design at employee exit stage and creating supervisory checks in addition to HR checks. • Improving the employee morale through continuous engagement. • Greater focus on background checks of new joinees to avoid surprises
4.	Missing documents from employees/ suppliers on account of continuing work from home situations	<ul style="list-style-type: none"> • Adopting cloud computing to centrally store all critical documents that evidence business transactions and internal controls • Identifying central e-mail ids for receiving key documents.
5.	Employee motivation impacting customer service	<ul style="list-style-type: none"> • Institute pro-active customer first surveys to unearth customer dissatisfaction

		<ul style="list-style-type: none"> • Training enrolments for employees
6.	Employees not willing to share responsibilities due to work overload	<ul style="list-style-type: none"> • Create staff secondment model with trusted service providers
7.	Delivery surprises owing to lack of traditional work back up plans	<ul style="list-style-type: none"> • Develop and test redundancies to the best extent possible. It starts with writing down the back up plans for all mission critical tasks
8.	Transforming work profiles where service sector employees are working for longer hours from home	<ul style="list-style-type: none"> • Invest in tools, process automation of repeatable tasks, etc. • Invest in better internet connectivity to enhance productivity. • Take an employee survey to come up with actionable ideas to improve processes.

Instilling Confidence to continue the culture of honesty

CEOs and team leads should aspire to create a positive climate in the organisation in pandemic times. Positive influence, compassion, consultative approach, and mutual respect would create an environment of psychological safety. Mckinsey's survey on investing in leadership development finds that consultative and supportive leadership will create psychological safety whereas authoritative leadership will discomfort employees in stress full times.

Employees make internal controls effective, if leaders do not instil confidence in employees then internal controls don't stand a chance to survive.