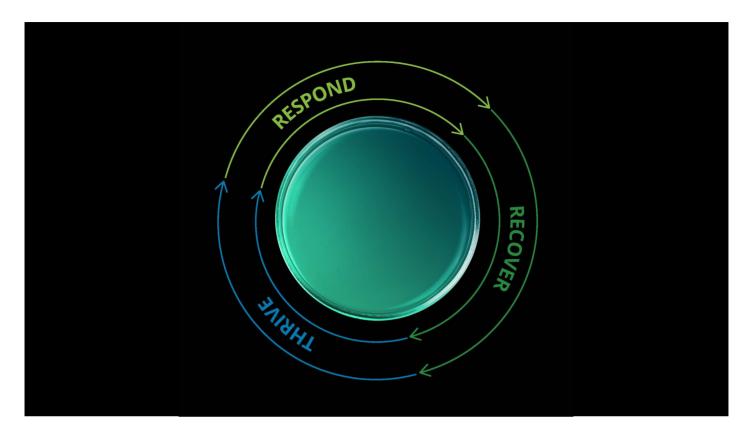
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Potential audit committee questions to address risks associated with receipt of government assistance

COVID-19 considerations

The impact of COVID-19 can be profound as companies face a variety of risks while navigating through shifting priorities and business activities. During this unprecedented time, it is imperative that audit committees work closely with management to understand these risks and to oversee the impact they may have on financial statements and related reporting.

This series of questions specifically addresses the risks associated with the receipt of government assistance (grants, loans, forgivable loans, etc.) and are meant to supplement audit committee considerations related to COVID-19. These are important questions, but legal prohibitions, focus of concern, or risks may vary from jurisdiction to jurisdiction (e.g., EU ban on dividends/executive bonuses).

With this in mind, these are important considerations and are critical to understand and discuss with management.

General

- 1. How has COVID-19 affected the entity's capital needs? Has the entity accepted government funding (grants, loans, forgivable loans, etc.) to support liquidity? If so, what conditions are attached to the funding?
- 2. If the entity has accepted government funding, how has this affected the entity's views about payment of dividends and dividend policy?
- 3. If the entity has accepted government funding, how has this affected the entity's views about any share repurchase program?
- 4. If the entity has accepted government funding, how has this affected the entity's views about its executive compensation programs? Will there be changes to performance conditions attached to executive compensation programs if these conditions are now unlikely to be achieved?

Risk management

- 1. Does management have a process in place to proactively assess financial and reputational risk of receiving government assistance, such as grants, loans, etc.?
- 2. Have specific requirements / obligations been identified and are risk assessments being made as a result of any conditional requirements of accepting government assistance?
- 3. What are management's plans to address any risks identified related to the receipt of government assistance?
- 4. Is the audit committee engaging with the internal audit department to ensure completeness of risks identified and the company's mitigation plans?

Internal controls

- Has management designed and implemented appropriate processes and controls to monitor the receipt and use of government assistance, including meeting any conditional requirements (e.g., maintaining a prescribed percentage of workforce) attached to the receipt of funds?
- 2. Is there appropriate oversight of management's design, implementation, and conduct of controls being executed as they relate to receipt and use of government assistance?
- 3. Is the audit committee engaging with the internal audit department to assess the effectiveness of the design, implementation, and operating effectiveness of internal controls to assess compliance with terms of the agreement?

Financial reporting

- 1. Is the audit committee challenging management to appropriately disclose the impact of COVID-19 and the receipt of government assistance, covering all the elements discussed above (i.e., impact on risks, controls etc.)? Disclosure would include, but not be limited to, statements made in regulatory filings, interim and yearend financial statements.
- 2. Has management considered and implemented the proper accounting and disclosures for any such government assistance?

Other materials

In addition to these questions, there are various other considerations for audit committees in the current environment. The following includes useful reference materials.

- Deloitte US Audit Committee Brief:
 Accounting and financial reporting
 considerations for audit committees
 regarding COVID-19
- 2. <u>Deloitte Audit & Assurance COVID-19</u> <u>resources for clients</u>
- 3. Deloitte POV: Financial reporting ecosystem Transparency and reliability in the COVID-19 environment
- 4. <u>Deloitte POV: Internal controls –</u>
 COVID-19 considerations for auditors
- 5. <u>Deloitte US: Financial Reporting</u>
 <u>Considerations Related to COVID-19</u>
 and an Economic Downturn
- 6. <u>IFRS in Focus: Accounting considerations related to the Coronavirus 2019 Disease</u>

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If you would like to discuss Deloitte Global initiatives further, please reach out to Wally Gregory, Regulatory, Independence, and Conflicts Leader, Deloitte Global (wgregory@deloitte.com), Jeff Kottkamp, Audit & Assurance Quality Leader, Deloitte Global (jkottkamp@deloitte.com), or Christine Albrecht, Managing Director, Deloitte Global (chralbrecht@deloitte.com).

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