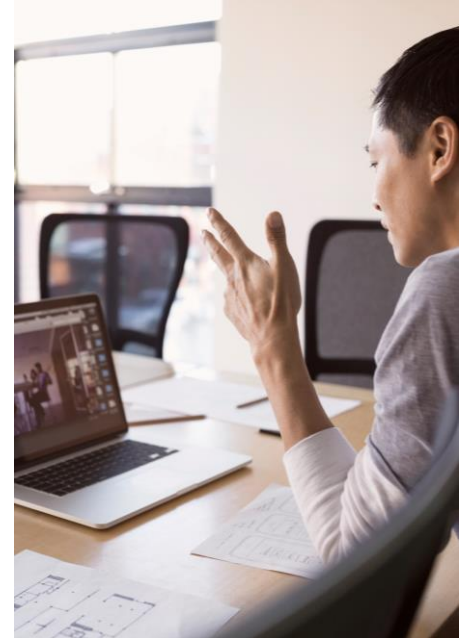


# Resilience Advisory Services



# Resilience Advisory: Time for practical action - Going beyond Thought Leadership Articles

*Our Resilience Advisory supports our clients in answering four key strategic questions during this COVID -19 pandemic.*



- 1 {
  - How do our clients ensure they have put in place near, medium and long term business continuity plans to mitigate adverse effects of current COVID-19 and potential future outbreaks?
- 2 {
  - How do our clients objectively assess the organisation structure and staffing adequacy/productivity of their portfolio companies?
- 3 {
  - How do our clients ensure that their monthly portfolio reports comply with IFRS provisions on accounting for external shocks?
- 4 {
  - How do our clients assess the arising immediate & short term financing needs of their portfolio companies and also synthesise the rapidly changing commercial dynamics into the financial projections?

# Business Continuity considerations

During times of catastrophes, disasters and pandemics, clients need to activate their business continuity plans to save their businesses. Rarely will you get an advance notice of an unknown or an unplanned event such as a disaster or a pandemic. For businesses without plans, this could mean they will take very long to recover from incidents or they could go out of business for good. Business continuity plans outline policies and procedures to be followed during unforeseen events that cause major business disruptions covering business processes, assets, human resources, business partners and more.

Grant Thornton helps organizations develop and implement business continuity solutions that help maintain continuous operations or quickly resume them in the event of a major disruption, whether caused by a natural disaster or a malicious attack by cybercriminals. Some of the key interventions we can make include:

## 1 Development of a business continuity plan

Grant Thornton has a standard process for development of business continuity plans. The key elements include:

### **Business Impact Analysis :**

This involves assessment of critical functions and processes and identifying the ones that will have the greatest impact if they are not available.

### **Recovery:**

This involves **identification** of gaps in the critical functions and processes that would prevent the business from continuing with minimal disruption and **implementation** of practical, cost-effective strategies to recover the critical business functions. Some of the critical functions may include:

- Supplies
- Equipment
- Information and Communication Technology (ICT)
- Operations
- People

### **Organization :**

This involves the development of a business continuity team. This may include senior team members from finance, human resources, information technology, operations, and legal. It is also important to identify a resource from the senior team members to lead the team in the event of a disaster. The resource can be trained to lead the process.

### **Training :**

The business continuity team and the whole organisation has to be trained on the continuity plans.

### **Testing :**

Testing the plan helps to verify that it works and identify gaps and areas of improvement.

## 2 IT Infrastructure systems audit

Grant Thornton will help to;

- Conduct vulnerability and penetration testing to ensure all the IT infrastructure is secure
- Stress testing remote working tools including Virtual Private Networks (VPN) to ensure there are limited disruptions.
- Conduct a phishing exercise and identify weak points that could expose the businesses
- Review end point protection to ensure all company software is well hardened and patched
- Review information backup processes
- Review system restoration processes
- Data integrity and accuracy testing.

### **Our guiding Standards:**

- International standard on business continuity;
- British standard on business continuity; and
- Good practice guide (2013) from the Business Continuity Institute (BCI).

# Human Resource considerations

Each and every sector is grappling with the adverse impact of the COVID-19 outbreak. Strategic human resource analysis is critical during these uncertain times and at Grant Thornton we have an experienced and capable team on hand.

## Potential Challenges

- Lack of **capacity to predict where current and future disruption will have the greatest or least impact** across your business and what this means for skills gaps and therefore your ability to maintain operations.
- **Structural challenges:** New team structures that work remotely: smaller, cross functional network-of-teams vs. rigid top-down organization
- **Limited visibility of the key skills and capability of staff** to processes and systems to move your labour to sustain the value-creating areas of your business.
- **Limited insight into changing laws and regulations around COVID-19**, hindering your ability to move people appropriately to sustain the value-creating areas of your business.
- **Lack of remote working infrastructure** to support the critical areas of your organisation.
- **Lack of specific COVID-19 policies/communications** to effectively support the desired response, exacerbating the issue.
- **Lack of policy change agility, required to implement and embed policy** changes to effectively combat disruption.

## Mitigation measures to address challenges

- **Define critical clusters of activity/work to deliver on the critical aspects of the business**, establish which employees are mapped and which ones across the organisation have the requisite skills to support.
- **Define optimal structures** that enable remote working and productivity of employees;
- **Define current and future skills in your workforce** and the processes/systems which are needed to deliver the response effectively (including changes required to those systems/processes)
- **Accelerate upskilling to cover skills gaps** in the value-creating areas of the business.
- **Consider employee mobility** within the organisation to sustain the value-creating areas of the business.
- **Identify and respond to legal/regulatory updates**, including effective governance to monitor and influence your organisation's response.
- **Proactively anticipate where disruption** is most likely to impact the organisation and refine responses accordingly.
- **Communicate early** with employees on policy and process changes.

**We are working with several clients across different industries in planning and effectively responding to COVID-19 across all HR dimensions.**

Some of the key interventions we can make to support you include:

- Strategic Workforce Planning
- Policy, process and HR systems assessment and reconfiguration
- Organisation structure assessment for adequacy and employee productivity
- Skills mapping and workforce architecture
- Employee engagement and communications
- Talent and employee mobility
- Employment law and regulations

# Financial Reporting considerations

As the impact of a novel strain of coronavirus (COVID-19) continues to unfold around the world, those individuals responsible for preparing financial statements and approving them for issue need to be cognisant of not only what has happened and is happening at the reporting date and the time the financial statements are approved, but also what is likely to happen next.

At Grant Thornton, we have an experienced and capable Financial reporting Advisory team that can assist you to carefully consider the impact of the COVID-19 on financial statements of your company.

## 1 Key Questions to address?

- COVID-19 – the big picture: what should be included in financial statements that have not yet been authorized and approved for issue?
- Will the outbreak of COVID-19 result in more disclosures?
- If there is estimation uncertainty, what should be reported in the financial statements?
- How does information about COVID-19 that becomes available after the reporting date affect the financial statements?
- Is it reasonable to take the view “the more uncertain the environment, then more detailed disclosures of the assumptions and assessments used to prepare the financial statements should be made”?
- When assessing expected credit losses (ECL), what should be taken into consideration?
- What should be taken into consideration when determining fair values at a reporting date?
- How much attention needs to be given to going concern for COVID-19?

## 2 Our proposed assistance

Grant Thornton will help in;

- Determining impairment of non-financial assets (including goodwill).
- Conducting valuation of inventories and allowances for expected credit losses.
- Evaluate whether assistance received from government meets the definition of a government grant in IAS 20
- Assist entities disclose the nature of the obligation and the expected timing of the outflow of economic benefits.
- Determining the effect of changes in the terms of borrowings due to changed circumstances described and treat waivers obtained after the reporting date of non adjusting events.
- Determining the potential implications of COVID-19 and the measures taken to control it when assessing the entity’s ability to continue as a going concern.
- Assessing compliance with the specific requirements in IAS 1 to disclose significant accounting policies, the most significant judgements made in applying those accounting policies and the estimates that are most likely to result in an adjustment to profits in future periods.
- Advise on the need to disclose changes in their financial risks such as credit risk, liquidity risk, currency risk and other price risk, or in their objectives, policies and processes for managing those risks.

# Financing considerations

In recent weeks, the need to forecast Short Term Cash Flows (STCF) for a business's own benefit or for their funders has been critical. The process of undertaking financial modelling over a short term period and combining the same projections over a specific mid to long term horizon period assist to evaluate how the business operations will change. Consequently, these projections will allow business owners to implement the necessary restructuring options in order to create a win-win situation for both the promoters and funders of a business.

Undertaking the above requires a different set of modelling skills and commercial expertise to make the projections useful and sustainable. At Grant Thornton, we combine our wide commercial experience in varying industries, advanced financial modelling skill set and restructuring expertise to assist businesses manage cash and gain insights into the near future.

## 1 Short Term Forecasting Responses

- Identify how far forward to forecast taking into account the most reliable and useful data;
- Based on business activities and circumstances, using either a daily or weekly forecast over the short term;
- Implementing an alternative financial statement format;
- Considering an easy to 'roll forward' option for short term projections in case the current circumstances are prolonged;
- Take account of actual or expected receipts and payments via typing rather than calculated forecasts over the short term period;
- Consider a change in financial statement projection methodology from the typical norm; and
- Accounting for the actual cash inflow and outflow trends on a weekly basis rather than utilizing a smoothed monthly approach.

## 3 Sensitivity and Scenario Analysis

Post completion of a base financial model, Grant Thornton will undertake the following actions;

- Evaluate the key business performance drivers and stress test each input independently;
- Evaluate the business performance taking into consideration varying resilience measures individually and collectively;
- Focus on stress testing various capital restructuring options; and
- Seek to understand the impact on key performance indicators when combining scenarios of varying resiliency measures and capital structuring options.

## 2 Long Term Business Forecast

The necessary resilience steps affect the business operation and the time lag of its effects are important considerations for business owners and investors.

Key task involves utilizing the short term financial forecasts to develop integrated monthly based financial projections over the medium to long term by taking into consideration the optimum resilience measures (usually 5 -7 years).

Factors to be considered for resiliency involve the following:

- Operational changes;
- Diversification strategies
- Value chain analysis
- People management
- Working capital cycles
- Capital expansion considerations
- Capital restructuring options

# Explore our Resilience Advisory services for your business



Grant Thornton advisers are focused on working alongside our clients to support them through challenging times of stressed or distressed operating conditions.

## Contact a specialist

If you would like a conversation with one of our local specialists to explore the Resilience dimensions for your business and how you can put in place measures to protect your business at a time of crisis please contact.



**Parag Shah**  
Partner – Advisory  
E [parag.shah@ke.gt.com](mailto:parag.shah@ke.gt.com)



**FA Michael Chomba**  
Director – Advisory  
E [michael.chomba@ke.gt.com](mailto:michael.chomba@ke.gt.com)



**Steve Bett**  
Manager – Risk Advisory  
E [steve.bett@ke.gt.com](mailto:steve.bett@ke.gt.com)



**Lynette Musyimi**  
Manager – HR Advisory  
E [lynette.musyimi@ke.gt.com](mailto:lynette.musyimi@ke.gt.com)

