



The audit committee checklist for COVID-19

The audit committee's responsiveness during the COVID-19 pandemic

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The novel coronavirus (COVID-19) pandemic is changing the ways we do business and conduct our organizational strategies. These changes may potentially continue for years. All aspects of the business and finance process are experiencing previously unthought-of challenges.

Audit committees, be they in a public, private, government or not-for-profit entity, face drastic challenges. Not only must they suddenly conduct virtual meetings, but they also must handle emerging risks. These risks are related to assessments, entity on-site operations (including culture), the impact of new legislation, financial and reporting disclosures, technology and cybersecurity.

We have developed a tool to meet the challenges the COVID-19 pandemic caused.

Audit Committee COVID-19 Checklist of Essential Considerations

Purpose of this tool: This audit committee COVID-19 checklist provides questions and considerations regarding the board's responsibilities of oversight, risk management and governance process. These questions are not intended to be all-inclusive, but to provide guidance as the audit committee's entity relies upon them for guidance in several key areas. These questions should be discussed in an open forum through the committee's interaction with senior management, independent auditors, external and internal auditors, and other key members of the financial management team. These questions are written in such a manner that a "no" response indicates a weakness that should be addressed.

Audit committee COVID-19 checklist	Yes	No	Not sure	Comments
A. Risk management				
<p>1. Does management have a process in place to proactively assess risk of significant changes, such as entering a new market, disruptive innovations, economic/geopolitical shifts, fraud, and management override of internal controls?</p> <p>If not, is the entity creating such during this global event?</p>				
<p>2. Have specific areas of focus been identified and are risk assessments being executed as a result of the COVID-19 pandemic?</p>				
<p>3. Does management have a plan to address existing risk assessments and updating the identification, impact and mitigation related to COVID-19?</p>				
<p>4. Has the entity considered significant risks to the achievement of objectives, financing and the availability of funding for key programs, information systems security and disaster recovery?</p>				
<p>5. Has management considered sufficiently the interdependency of potentially related events in its event identification and risk assessment process?</p>				
<p>6. Is the audit committee engaging with the internal audit department to ensure completeness regarding risk identification and response?</p>				

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B. Entity operations, including culture				
1. Are the entity's revised strategies, objectives and operational plan in alignment with the changing environment?				
2. Does the entity include in their contingency plan actions for most of their workforce to work remotely? If not, is the entity developing and planning to formalize such a plan?				
3. Are the entity's communication needs being addressed, including the consideration of privacy and security?				
4. Does the governing body and management have an effective level of communication in place to enable the fulfillment of their roles with most employees working remotely?				
5. Has the governing body reviewed and considered management's authority over significant decisions and limitations of authorities and responsibilities?				
6. Does the entity identify related issues and trends expected as the health care event subsides and the financial recovery becomes paramount?				
7. Has the entity developed business continuity plans based on various potential recovery scenarios?				

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C. Impacts of new legislation				
1. Has the entity assessed its financial and business response to the CARES Act?				
2. Does the entity properly understand the impacts of this Act upon the entity and aware of the necessary execution?				
3. Are specifics of the Act identified and addressed in the strategic plan? (Economic disaster loan, loan forbearance, access to retirement accounts, sick leave and FMLA affects)				
D. Financial reporting and disclosures				
1. Does the governing body continue to set the expectations for the performance, integrity, and ethical values of senior management during the COVID-19 event?				
2. Is there appropriate oversight responsibility for management's design, implementation and conduct of internal control as they relate to COVID-19 being executed?				
3. Is the entity reviewing and considering the current environment and the impacts on investor disclosures: projections of growth and expansion; loan covenants, profits; timetables, etc.?				

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D. Financial reporting and disclosures (continued)				
4. Is the entity reviewing and considering the impact of the loans/grants and their terms and conditions from the COVID-19 stimulus package(s) on the reporting and disclosures?				
5. Is the audit committee receiving, reviewing and considering the information management it is using (KPIs, data analysis, metrics) to assess the impact of COVID-19 and how it is communicating this information to appropriate stakeholders and determining reporting factors?				
6. Do open communication channels exist to allow relevant information to flow to the board from internal and external sources, including stakeholders, auditors, regulators, and employees?				
E. Technology and cybersecurity				
1. Has the governing body established appropriate oversight structures and processes (e.g., board and committees) that reflect the working-from-home structure for most employees now in place?				
2. Has virtual auditing been coordinated with the external auditors?				

Audit committee COVID-19 checklist	Yes	No	Not sure	Comments
E. Technology and cybersecurity (continued)				
3. Does the audit committee understand the nature and scope of monitoring activities, including ongoing assessment and/or separate evaluations to enable an effective determination of whether the components of internal control continue to function with the increased reliance on technology?				
4. Has the entity identified areas of exceptional privacy and data concern and ensured safeguards are in place as well as contingencies and alternative actions?				
5. Is there an effective process established and publicized periodically to political officials, employees and others to allow open communication of suspected instances of wrongdoing by the entity or employees? Is the whistleblower hotline being checked continually and not forgotten?				

The COVID-19 considerations the audit committee and other governing bodies conducted are a paramount activity directly related to the entities’ strategy, objectives, financial health and ability to expedite recovery. For additional resources for the audit committee, please refer to these resources: (Government Audit Committees – Part 1; Audit Committee Toolkit and the AICPA Coronavirus Resource Center.



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