

Internal controls.

Part of the PEM knows series, offering tips on guiding your charity through uncertain times.

COVID-19 has caused significant operational and financial disruption across all organisations, resulting in increased pressures on services, employees and beneficiaries at a time where the control environment may be weakened.



Be clear.

- Management should update their understanding of internal controls to identify which controls are still operating effectively and which cannot work given the new working environment and with certain staff having been furloughed.
- Is the organisation susceptible to new areas of fraud? The heightened risk of fraud should be re-assessed.
- Have any gaps in controls been identified? Plans should be put in place to implement new controls and procedures to cover those gaps.
- Have any changes made to the internal control environment been fully documented?
- Have all relevant staff been made aware of the new procedures?



Be robust.

Strengthening and maintaining the control environment whilst your staff are working remotely could include:

- Maintaining segregation of duties as far as possible so that no one individual has too much authority.
- Ensuring that proper accounting records are still maintained.
- With increased working from home, making sure that only the right people are accessing the right system.
- Increased cyber awareness to identify any unexpected behaviours.



Ensure continued oversight.

- Management should continue to assess the internal controls of the organisation through the pandemic and the recovery process to address different risks and motivations for fraud as they arise.
- Wherever segregation of duties, in the short term, is not possible due to illness, management and trustees must have an early warning and monitoring mechanism in place to ensure that this lack of segregation of duties is not abused.
- It is the Trustees' responsibility to satisfy themselves that they have met their financial duties as trustees by having robust and effective financial controls in place and protecting the charity from financial crime.
- The assessment and evidence of challenge by the trustees should be clearly documented.

For further information, please contact a member of our team:



Jayne Rowe
jrowe@pem.co.uk



Judith Coplowe
jcoplowe@pem.co.uk



Michael Hewett
mhewett@pem.co.uk



PEM
Salisbury House
Station Road
Cambridge CB1 2LA
t. 01223 728222
e. pem@pem.co.uk

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