



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

COVID-19 BUSINESS RECOVERY AND CONTINUITY TOOLKIT

JUNE 2020



Disclaimer

The information in this publication is prepared by the staff of the Institute of Certified Public Accountants of Uganda (ICPAU). The paper is a non-authoritative document, issued for information purposes aimed at supporting Business Recovery amidst COVID-19. It does not purport to set out acceptable or unacceptable application and/or techniques but only guides business owners at a time when the focus shifts from curbing the health effects of the pandemic to the economic concerns.

ICPAU, its employees and agents do not accept any liability to any person for the information or advice given in this document.

Many publications have been written on how Corona Virus Disease 2019 (COVID-19) causes a significant threat to both human and business survival. Sadly, we have lived through most, if not all, the threats. In Uganda, for example, the government instituted a mandatory lockdown to contain the spread of the pandemic. This may have worked from a health perspective, but for business survival, it has rather caused disruptions inhibiting smooth functioning of businesses. With enhanced containment approaches encouraging social distancing and staying at home; the medical curve has been seen to flatten in a number of jurisdictions (indicating fewer new cases of COVID-19 with containment as compared to jurisdictions that have not adopted such measures). However, while the medical curve is seen to be flattening, the economic curve is steepening.

Like Richard Baldwin¹ puts it, the COVID-19 pandemic creates all manner of economic shocks ranging from; firstly the purely medical shocks as workers in their sickbeds aren't producing GDP; secondly are the economic impacts of containment measures and thirdly are the expectation shocks. The most unfortunate bit is that we do not know for how long this will last yet the crisis has forced consumers and businesses all around the world put off some spending; and stay in a wait-and-see mode.

Despite the above, a number of jurisdictions are now easing their containment measures, with some business getting back to life. An agile business owner will now consider seriously activating their Business Continuity Plan. A Business Continuity Plan shows how one's business can continue to deliver following a major disruption like COVID-19. This publication, as discussed under the various themes below, provides businesses with possible insights on how to navigate through the COVID-19 crisis while staying afloat and taking advantage of a general economic recovery. A succinct roadmap is provided in **Appendix 4** to demonstrate concerted pathways to recovery. The roadmap highlights distinctive points in time for consideration through the pandemic occurrence lane.

¹ Richard Baldwin and Beatrice Weder di Mauro, (2020) Mitigating the COVID Economic Crisis: Act Fast and Do Whatever It Takes, Centre for Economic Policy Research

1. MANAGE THE HUMAN RESOURCES OF YOUR BUSINESS

The protection and safety of your business' human resources should be the highest of priorities. You need to work around how to continue business operations while protecting your staff from contracting the deadly COVID-19. If you are an essential service provider, acquire the necessary protective gear to enforce this. For businesses that do not meet this requirement, consider embracing technology to hold meetings and conduct business communications online.

Consider the crucial business functions that does not need to be shut down during this period and where such employees can work remotely, avail them with the necessary equipment to do so; including laptops, internet connectivity, and others.

Consider developing a clear but robust communication policy with the ultimate purpose of employees getting to know what they should know when they should. This should also focus on keeping in touch with the business' stakeholders but also helping employees manage their fears and anxiety.

In the event that your business has previously measured and rewarded performance based on time sheets, there may be need to consider alternatives. Look at the possibility of shifting to an output-based performance measurement technique. See [Appendix 1](#) for a sample COVID-19 Human Resource Checklist.

2. PERFORM A FINANCIAL HEALTH CHECK ON YOUR BUSINESS

For starters, you will need the most up-to-date information regarding the finances of your business. Knowing the financial performance and financial position of your business would go a long way in helping to make the most viable decisions for your business continuity. With this information, you would be able to perform a financial health check by analysing your financial statements through financial ratios. This is why your business would need a qualified professional accountant. See [Appendix 2](#) for sample COVID-19 Financial Health Checklist.

3. UPDATE YOUR BUSINESS' RISK REGISTER

If you have not yet done this, consider yourself very late! You will need to reassess all risks and clarify emergency response mechanisms for key risk areas. Conduct a comprehensive assessment of all risks straight away, including employee, outsourcing, government, public and supply chain issues. You need a core team of leaders to assist in assessing and updating your business' risk register. Identify and evaluate the principal classes of risks and their potential impact on your business operations and survival. Once this is done, take necessary action to mitigate those risks.

4. CREATE READINESS PLANS TO MAINTAIN CONTINUITY

At the back of your mind, always remember that nobody really knows when this will end, at least not yet.

You need to update your business goals, the methods on how these would be attained, and the time frame within which these goals need to be achieved. There would be need to consider slowing down business. There is probable need for your business to consider retrenching back to core commodities and freeze the less important ones till we have attained full recovery.

Consider alternative channels of delivering your commodities to clients. In Uganda for example, business have resorted to making sales online, therefore it is imperative that you inspect the various online platforms to select one that is best suited to sell your products. Suppliers of services should venture into available digital solutions to the delivery of services since face-to-face contact may remain limited for some time.

5. CREATE AND MAINTAIN FINANCIAL CONTINUITY PLANS

COVID-19 has rendered useless many of the assumptions that business had for survival. It has led to a whole new body of assumptions therefore, it is imperative that businesses re-do their budgets while keeping these new assumptions in mind. With the new budget, start immediate action to improve the cash flows of your business. This means that you need to draw up a cash flow forecast and ensure that you regularly update it till recovery. Accountants are well acquainted with the principles of good financial management and this would be especially helpful through the crisis. Below is a non-exhaustive list of possible actions to improve business cash flow throughout this dire period:

i) Inventory Management

You may need to purchase more quantities of items that are likely to have higher demand. For perishable inventory that is already in stock, you need to focus on promotion of these items so as to increase sales quantities and avoid the risk of loss.

ii) Debtors Management

Prepare debtors' aging analysis reports and follow up with aged debtors. For aged debtors, you need to take rigorous measure to ensure payment as soon as possible. Moving forward, you may no longer be in position to offer credit, therefore, encourage your customers to pay immediately or at a shorter period than usual. It is equally imperative that you also assess the wellness of your major debtors as knowing their state of affairs gives you comfort as to when or how far

your resources can support operations of the business. See **Appendix 3** for sample COVID-19 Debtor's Checklist.

iii) Creditors Management

It is good cash flow management to delay payment to creditors. Your business may negotiate possible payment extensions with its suppliers.

Then there is the never-ending requirement to pay tax. Section 113 of the Income Tax Act, 2012 of Uganda allows the Commissioner to shift the tax credits of a taxable person from one tax head to another. These and more are considerations that your business should look at in improving its cash flow during the COVID-19 crisis.

iv) Asset Management

While the crisis lasts, you need to pay attention to both current and non-current asset management. You will need to delay purchase of capital items that may not be crucial to business survival during the crisis. Similarly, you may want to cut back on operational costs including salaries for non-essential workers. However, we advise that you seek guidance from a professional before you engage in any decisions to lay-off staff.

v) Exploit regulatory stimulus

Several regulatory bodies have offered amnesties, suspension of obligations to a number of entities. The National Social Security Fund (NSSF) granted an amnesty to businesses to reschedule social security contributions for the next three months effective 31 March 2020. The Uganda Revenue Authority through its COVID-19 Business Continuity Measures granted extensions for filing tax returns and permitted taxpayers to restructure their payment of taxes obligations.

The Bank of Uganda (BoU) issued a Monetary Policy Statement in which it provided credit relief measures to mitigate the adverse effects of the COVID-19 pandemic. Such relief granted during the 12 months from April 01, 2020 include: -

- A moratorium (suspension, postponement or reduction) on the repayment of principal and/or interest, applicable to the outstanding principal loan amount, for a period not exceeding 12 months.
- Extension of the loan repayment period.
- Reduction of interest rate on the loan.
- Other forms of restructuring provided for under the requisite regulations.

Businesses facing cash flow challenges may apply for the amnesty, to protect liquidity, while avoiding penalties. Liaising with the concerned regulatory bodies will relieve business owners of any liquidity pressures at least in the short and medium term.

6. CONTACT A CERTIFIED PUBLIC ACCOUNTANT (CPA) FOR FINANCIAL MANAGEMENT GUIDANCE

While the COVID-19 uncertainty is still with us, it is critically important for businesses to maintain a solid vision for where their money goes, and to start performing regular 'health checks' on their finances, to ensure that the business can still meet its future goals. It should be relieving to note that your CPA (as a trusted business advisor) will be in perfect position to guide you on how to protect your business by ably managing cash flows and the general stakeholder expectations for achievement of a successful business strategy. In a nutshell, a CPA will guide your business through the road to recovery.

7. CONCLUSION

During such times, it is important that you keep continuous communication with your key stakeholders. Whereas the pandemic has hit jurisdictions variously, efforts by different economies have managed to calm the health threat. The growing concern now, is how businesses can survive the economic threat resulting from the pandemic. Successful businesses will be those that are agile and implement a clear path to business recovery achieved through decoding changes in the business environment and responding in creative ways to take advantage of emerging opportunities.

Appendix 1:

Sample COVID-19 Human Resources Checklist

S/N	QUESTION	YES	NO	N/A
Promoting a work-from-home/work remotely culture				
1.	Are there crucial business functions that need not shutdown during this period and can work remotely?			
2.	Have you prepared policies on expectations of working remotely — need to understand workload and that sharing of large files and live streaming can diminish bandwidth and connectivity			
3.	If yes, do they have the necessary remote working equipment like computers, internet connection, access to internal networks, etc.?			
4.	Is your access secure? Do you have a VPN (virtual private network)?			
5.	Have you taken current inventory of laptops, accessories, and peripherals supply — loaned to employees, and for backup supply, if needed			
6.	If office coverage is needed, have you considered a rotation schedule to minimize number in office?			
7.	Have you Implemented the use of collaboration tools — Microsoft Teams, Google Drive			
8.	Have you examined your IT system for ability to handle increased usage from remote locations? – There could be need			
9.	for additional licenses in order to connect to the domain.			
10.	For payroll expenses, is there need to consider alternative performance measurement bases? How will time be entered into the time-sheets?			
11.	Will your standard procurement process work in this situation?			
12.	Have you established a meeting approach to keep in touch with remote team members — e.g. every morning, at the start/end of each shift, etc.			
13.	Have you determined alternate remote location if working from home is not an option			
Protecting your employees at the office premises or in the field of duty				
1.	Do you have a policy outlining visitor protocol? If so, have you updated it to suit the current developments? Is there a particular office assigned to manage this protocol?			
2.	Have you strategically placed sanitizers at all office entrances and ensured that sanitizing procedures are adhered to?			
3.	Are there clear instructions on handwashing procedures and other methods to limit virus exposure hung visibly around the office premises?			
4.	Do you clean workspaces and shared items (door handles, copy machines/ printers frequently?			
5.	Have you modified workstations to increase space between staff, guests and clients?			
6.	Have you empowered staff to disclose and stay at home if they develop any symptoms of COVID-19?			
7.	Do you have a plan to handle an employee who tests positive for COVID-19?			

8.	Can you eliminate all non-essential travel for employees and define what may need to be considered essential?			
9.	Have you provided resources and a work environment that promotes personal hygiene (e.g. tissues, no-touch closed trash cans, hand soap, alcohol-based hand sanitizers, disinfectants and disposable towels)?			
10.	Can you reconfigure conference and other meeting rooms to social distance?			
Leave Benefits				
1.	Is your medical cover able to cover the current situation?			
2.	Have you revised your leave policies to accommodate employees' potential need for leave due to quarantines, isolation orders, related to COVID-19?			
3.	Do you track each employee's use of leave, including the duration and reasons for the leave?			
Reductions in Pay, Furloughs, or Closures				
1.	Have you considered whether employees who are sent home due to an office closure will be paid or unpaid?			
2.	Follow all applicable wage and hour rules for employees who telework; be aware of differences concerning exempt and non-exempt employees with respect to time worked and furloughs			
3.	Have you consulted for legal opinion on the implications of change in employees' work terms?			
4.	Have you informed workers who have been laid off, furloughed, or have had their hours or pay reduced about you decision?			

Appendix 2:

Sample COVID-19 Financial Health Check Checklist for your Business

S/N	QUESTION	YES	NO	N/A
1.	Have you updated your financial statements?			
2.	Have you worked out your financial ratios to help determine the commercial performance of your business? (You will need the help of a Certified Public Accountant)			
3.	From the computations, do you have a high liquidity ratios computed? If yes, this indicates sound business activities and an ability for your business to withstand tight cash flow periods like COVID-19.			
4.	From the solvency ratios computed, is the debt to asset ratio less than 1? If yes, then your business is able to meet all its debt obligations from sources other than cash flow. It also indicates adequacy of total assets to finance all debt.			
5.	From computation of your stock days, is the amount of time inventory in your store helping you achieve target profitability?			
6.	Using the debtors days ratio, is cash from customers collected in time? If collection is excessively slow, then the liquidity of your business will be severely affected by the COVID-19 crisis if not this is not improved. How long can you continue your business shut down or to operate at reduced capacity before you encounter a liquidity problem?			
7.	From computation of the creditors days ratio, are you managing your accounts payables well? These need to be managed moderately. Paying your creditors too early will impact the business cash flows while paying too late will affect relationships with suppliers. Your business needs to strike a balance.			
8.	Have you furloughed, laid off, or terminated any employees? Are you continuing to pay all/certain employees even if they are unable to come to work? How long can you continue to do so?			
9.	Have you implemented the right measures to mitigate liquidity risk?			
10.	When is your next debt service payment due? Do you project having sufficient liquidity to make the payment? Do you expect to seek a deferral/ forbearance to make all or a portion of the payment?			
11.	Do you have any significant debt maturities coming due? What steps are you taking to refinance, amend, or extend maturing debt facilities?			

Appendix 3:

Sample Checklist of Questions to Ask Your Customer during COVID-19 Crisis

S/N	QUESTION	YES	NO	N/A
1.	What communications have you had from your debtors?			
2.	Is there anything you can do to help your key business customers during the COVID-19 crisis? If yes, have you done it?			
3.	Have any customers cancelled orders? Have any customers refused to accept/provide delivery of previously placed orders? If yes, how can you mitigate it?			
4.	Have any significant customers asked for extended payment terms? If so, what is your business able to do in this regard?			
5.	Do you know if any of your top customers are shut down or operating at significantly reduced capacity? Do you know what will be the impact on your business?			
6.	Has your backlog of orders shrunk? Have you seen new orders slow down/stop?			
7.	What communications have you had from your debtors?			
8.	Have any significant customers asked for extended payment terms? Is the extension indicative of any going concern issues?			

Appendix 4:

Road Map to Business Recovery

S/N	STAGE	ACTION REQUIRED
1.	Occurrence of a disaster	<ul style="list-style-type: none"> Update yourself with any available official guidance issued by the Ministry of health including SOPs, Presidential Directives, among others. Activate your Business Continuity Plan. Assess your financial position to establish your financial health. Confirm you cash reserves and customer contact information.
<p>Stop to conduct a health check on your finances and assess your business cash flows. This will give you direction on how to respond to the disaster.</p>		
2.	Response to the disaster	<ul style="list-style-type: none"> Assess the major implications of this disaster to your key stakeholders including governance structures, staff, customers, suppliers, providers of finance, among others. Secure your Human resources to enable them continue working as the situation normalizes. Update your risk register, identify and evaluate the principal classes of risks and their potential impact on your business operations and survival.
<p>Keep regular communication with staff and key customers to avoid any surprises along the way.</p>		
3.	Recovery from disaster	<ul style="list-style-type: none"> Constantly and regularly conduct an analysis on your business Strengths, Weaknesses, Opportunities and Threats (SWOT Analysis). Use the new information to update your business goals, the methods on how these would be attained, and the time frame within which these goals need to be achieved Accelerate digital endeavors and analytics Revise your business plan, budgets and general approach to market participation.
<p>Agile business owners will be those that can embrace a firm front towards a path to business recovery.</p>		
4.	Survival after the disaster	<ul style="list-style-type: none"> Survival is for the fittest, therefore, you need to be creative and innovation to "keep alive". Use the lessons learnt to re-evaluate your business strategies and devise means on how to do it differently than before. Rethink business and macroeconomic setup



PLOT 42 BUKOTO STREET, KOLOLO, P.O. BOX 12464, KAMPALA UGANDA



041-4540125, 039-3262333, 039-3265590



standards@icpau.co.ug, icpau@icpau.co.ug



www.icpau.co.ug



@ICPAU1



ICPAU



Institute of Certified Public Accountants of Uganda