A-Political and Regulatory Communication and Guidance

The G20 response to Covid 19. The March 20 communique called “for a transparent, robust, coordinated, large-scale and science-based global response in the spirit of solidarity.” The action plan is clear and is about people: protecting lives, safeguarding jobs, restoring confidence, preserving stability and reviving growth. 

The Financial Stability Board is coordinating the efforts to maintain financial stability during market stress related to Covid-19. It represents a unique coordination mechanism of international standard setters and international bodies, and national authorities, which has allowed an orderly response to the crisis. 

BASel Committee response to Covid 19. The Basel Committee communicated on March 20 that the global banking system has significantly higher levels of capital and liquidity, and is therefore in a stronger position to absorb shocks and mitigate interruptions to banking services... event if banks and supervisors must remain vigilant, It also states that the Basel III framework includes capital and liquidity buffers that are designed to be used in periods of stress. Many supervisors are already encouraging banks to make use of capital and liquidity buffers that are designed to be used in periods of stress., which allow for flexibility in responding to the current circumstances.  
https://www.bis.org/press/p200320.htm

B-Aspects of Corporate Governance Guidance

Finding alternative ways to hold shareholders meetings. The United State SEC has issued guidance for holding upcoming annual meetings for listed entities in light of the Covid-19 concerns. This includes guidance when changing the date, time, and location of the annual meeting, holding virtual shareholders meetings, the holding virtual shareholders meeting, and having shareholders proposition. The guidance includes issuing timely information on changes to shareholders, and preparing robust disclosures, and allowing shareholders to participate through electronic means or by phone. While these approaches present some challenges there is no question that this will pave the way for changes in the way shareholders meetings will take place.  

C-Accounting Guidance.

Disclosing the impact of Covid-19 on companies. The European Securities Market Authority also provided guidance on how listed entities should disclose information in light of the current pandemic. Listed entities should be ready to apply contingency plans, to disclose any significant information about the impacts of Covid-19 on their fundamentals, including prospects on their financial situation, and provide transparency on the potential impacts of the pandemic by providing qualitative and quantitative assessment on their business activities financial situation in their year-end financial report for 2019 or in their interim financial statements.  

Provisioning of Loans Impacted by Covid-19. The IFRS Foundation has provided guidance on the accounting for financial instruments under IFRS 9 – Financial Instruments in the context of Covid-19. The educational document aims to support a consistent and robust application of IFRS 9 without removing or adding or removing any requirement. education document. It clarifies that in terms of loan loss provisioning the extension of a payment holiday to all borrowers is not an indication of an increase in credit risk by itself. In determining the impact of Covid-19 the company will need to take into account the government response and consider how these elements
are influencing the ECLs. It concludes that application of IFRS 9 and the associated disclosures can provide much needed transparency to users of financial statements.


D-External Audit Guidance

Audit- Adjusting audits to the circumstances of the current pandemic. The International Accounting and Assurance Standards Board has published a staff statement that provides guidance on how to deal with the consequence of Covid-19 while conducting an audit, by using the standard and presents 3 useful charts in the area of risks, accounting estimates, and issuing an audit opinion. Entities being audited are adjusting to the changing environment relating to their businesses and operations, including financial reporting processes, disclosures in financial statements and their ability to maintain operations in the foreseeable future. Similarly, auditors have to adjust how they obtain sufficient appropriate audit evidence on which to base the audit opinion, amid challenges relating to, among other things, access to people or information, revising the identification and assessment of certain risks of material misstatement, and changing planned audit procedures or performing alternative or additional audit procedures as may be appropriate. Auditors may also find that the current circumstances bring opportunities to do things differently, for example, by using new, or flexing the use of existing, technology resources.

https://www.ifac.org/system/files/uploads/IAASB/Staff%20Alert%20-%20Audit%20Considerations%20Arising%20from%20Changes%20Due%20to%20Coronavirus.pdf

E-Audit Supervisory Guidance. The Committee of European Oversight bodies communication on the consequences of Covid 19. It acknowledges that access and travel restrictions as well as the limited availability of personnel due to health considerations may impair the auditor’s ability to obtain sufficient appropriate audit evidence. Auditors are advised to explore alternative means to complete high-quality audits, including technology, to the extent possible, which may require additional time, which may impact reporting deadlines. Key matter for consideration should be Going concern. Auditors will need to assess whether the disclosures provided by the entity on the impact, both qualitatively and quantitatively, of the Covid-19 outbreak on its activities, financial situation and future economic performance is appropriate. Auditors may need to include a related emphasis of matter paragraph in their audit report or where this is not the case, auditors may need to modify their audit reports accordingly. In their report auditors are to pay attention to assessing whether the description of the entity’s financial position, the principal risks and uncertainties that it faces and its likely future development.


F- Other Accounting Professional Guidance

Accountancy Europe published a document that explores the coronavirus’ effects on:

- accounting and reporting for companies as of 31 December 2019
- accounting and reporting for companies with year-ends in 2020
- auditing financial statements on 31 December 2019 and beyond
- practical matters for the audit of financial statements

Accounting Education and Professional Accountancy Organizations. The COVID-19 situation necessitates a more sophisticated professional education across the globe. Professional Accountancy Organizations (PAO), local and international training institutes are facing unprecedented needs to close physical classroom and thus professional accountants are bound to lag behind the academic timeline. The COVID 19 poses an opportunity for PAOs, regional bodies to undertake digital learning programs through online education courses and provide virtual training so that teachers and faculty are able to connect without putting a halt to professional education. Resources need to be mobilized to make the accounting profession compatible with other global IT based education which would also make a lasting impact post COVID 19.