The main topics for discussion at the IFAC in July & August 2020 were with respect to:

July 2020

1. MAINTAINING TRUST & CONFIDENCE DURING CRISIS: NEW POINT-OF-VIEW

2. ORGANIZATIONS’ AUDIT COMMITTEES MUST RISE TO THE CHALLENGES OF THE ‘NEW NORMAL’

3. IFAC CALLS ON G20 TO BALANCE COVID-19 RESPONSE WITH A FOCUS ON THE LONG-TERM FUTURE AND OTHER URGENT GLOBAL PRIORITIES

4. IFAC RELEASES LATEST INSTALLMENT OF EXPLORING THE IESBA CODE

5. IAASB ASSISTS WITH AUDIT CONSIDERATIONS FOR THE IMPACT OF COVID-19

August 2020

6. APESB AND IESBA STAFF COLLABORATE ON ETHICS GUIDANCE FOR PROFESSIONAL ACCOUNTANTS NAVIGATING COVID-19 CIRCUMSTANCES

7. FROM ESSENTIAL TO INDISPENSABLE: FIVE STEPS TO NAVIGATING THE COVID-19 STORM
1. MAINTAINING TRUST & CONFIDENCE DURING CRISIS: NEW POINT-OF-VIEW

Maintaining trust and confidence in companies, markets, and economies during a crisis is the fastest path to recovery after a crisis. As the COVID-19 pandemic continues to present unexpected challenges globally, maintaining this trust must remain a priority.

IFAC’s new Point-of-View, Maintaining Trust & Confidence During Crisis, explores how different participants in the economy can work together to navigate challenges and instill trust during both the current pandemic and in future times of uncertainty.

Professional accountants provide the strategic and operational expertise, integrity, reliability, and transparency needed for economies to function during challenging times. Organizations who provide high-quality information help maintain confidence in and facilitate economic recovery after any crisis. High-quality information serves to improve stakeholder understanding, sustain capital flows and instill credibility in reporting entities.

Through this lens, IFAC examines the role of three key stakeholder groups in maintaining trust:

1. Senior management and those with governance responsibility, who must ensure their organizations report high-quality information;
2. Regulators, who serve to protect investors and stakeholders that rely on the information companies provide; and
3. Professional accountants, who must draw upon their training, expertise, and ethical responsibility to carry out their public interest mandate and facilitate the delivery of high-quality information.

As a knowledge convener, IFAC continues to share web-based resources from its members and other stakeholders in response to COVID-19. This new Point-of-View builds upon existing guidance to provide thinking that can be applied to both current challenges and future crises.

2. ORGANIZATIONS’ AUDIT COMMITTEES MUST RISE TO THE CHALLENGES OF THE ‘NEW NORMAL’

As organizations confront the immediate and longer-term implications of COVID-19, The Institute of Internal Auditors (IIA) and the International Federation of Accountants (IFAC) today issued a call to action for audit committees to ensure objective oversight of organizational activities, including risk management, performance, controls, and key processes.

The IIA and IFAC have developed specific recommendations for organizations to more vigorously confront uncertainties and turmoil that may threaten their integrity, transparency, and accountability.

“We must be aggressive and future-oriented in prioritizing and managing new threats and vulnerabilities, while not being distracted from existing risks,” said IIA President and CEO Richard F. Chambers. “Governing bodies and their audit committees, in particular, must be
highly vigilant, nimble, and well engaged to ensure they as well as management and others are receiving objective assurance and insight on critical aspects of organizational activity.”

Adds IFAC CEO Kevin Dancey, “The impacts of COVID-19 on the global economy will be felt for years, if not decades. This creates long-term risks and uncertainties that organizations need to confront head-on through strong governance and internal controls. We hope these recommendations will support governing bodies and audit committees as they navigate the continuously evolving operating environment of today and tomorrow.”

The IIA and IFAC call on governing bodies and their audit committees to:

1. Stay informed: Maintain a timely and clear understanding of the continuously-evolving operating environment and how it may impact organizational objectives and performance.
2. Communicate and collaborate: Adopt a multi-disciplinary approach to exercising oversight of internal and external audit and reporting through dynamic communication and collaboration.
3. Leverage available expertise: Seek qualified and reliable assurance and advice on management evaluations of, and responses to, the organization’s continuously evolving risks and risk profile.
4. Promote continuous improvement: Encourage innovation and change to address vulnerabilities and to build resilience, strengthening the pursuit of value creation.
5. Think holistically: Adopt a broad perspective of the organization and its environment across both financial and nonfinancial goals, considering interconnectivity with other organizations, internal and external interdependencies, and the central importance of people.
6. Embrace technology: Optimize the performance of the audit committee through the use of technology and flexible working practices.

Please refer to the IFAC’s website for the full statement.

3. IFAC CALLS ON G20 TO BALANCE COVID-19 RESPONSE WITH A FOCUS ON THE LONG-TERM FUTURE AND OTHER URGENT GLOBAL PRIORITIES

COVID-19 has raised challenges that are unprecedented in the modern era. The G20 governments have responded with significant short-term actions to support people and economies. On 21 July 2020, the International Federation of Accountants (IFAC), which represents more than three million professional accountants worldwide, has called on G20 countries to remain focused on long-term progress alongside their immediate priorities for response and recovery.

“We are at a critical inflection point around the world for many reasons. While the immediate response to COVID-19 is paramount, we must not take action that puts other urgent global priorities and progress at risk,” said Kevin Dancey, IFAC CEO. “The decisions we make now and the actions we take are crucial as we work to build strong, sustainable economies and realize the opportunities of the 21st century for all.”
G20 countries play a crucial role in fostering institutions and governance models that can anticipate and mitigate future crises. To strengthen our global economy as we manage the myriad new challenges presented by COVID-19, IFAC calls on G20 leaders to:

1. Accelerate Sustainability and Inclusion

The COVID-19 crisis is a wake-up call to accelerate the transition to a more sustainable and inclusive global economy. Both the business community and governments have an important role to play in this transformation, from focusing on long-term value creation to supporting an economy aligned with the United Nations’ Sustainable Development Goals.

2. Focus on Public Sector Transparency and Integrity

Responding to COVID-19 has driven an enormous increase in public sector spending. Integrity and transparency in the public sector are essential to the social contract between governments and their citizens. IFAC calls on the G20 to step up its efforts to deliver on the G20 Anti-Corruption and Anti-Money Laundering Action Plans, and to adopt International Public Sector Accounting Standards and accrual accounting at all levels of government.

3. Resist Regulatory Fragmentation

Regulatory fragmentation costs the global economy more than $780 billion a year, and the cost is borne disproportionately by small- and medium-sized enterprises. IFAC calls for policymakers to prioritize regulatory cooperation and harmonization so that all enterprises can thrive. We also urge all stakeholders to agree on a global framework for non-financial reporting that incorporates integrated reporting principles.

4. Recommit to Global Collaboration

Global institutions for cooperation and crisis-management—both public and private sector—are more important than ever. Multilateralism in support of building back better for those most in need is the foundation for resilience and a fairer and more prosperous world for all. G20 leadership must commit to working together through global institutions to anticipate and mitigate the global problems of the 21st century.

Note: IFAC’s full call to action for the G20 is available online.

4. **IFAC RELEASES LATEST INSTALLMENT OF EXPLORING THE IESBA CODE**

The International Federation of Accountants (IFAC) has on 30 July 2020 released the latest in its Exploring the IESBA Code educational series: *Installment 8: Responding to Non-compliance with Laws and Regulations (NOCLAR) [for PAIBs]*.
The publication is part of a 12-month short series to help promote awareness of the provisions in the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). Each installment focuses on a specific aspect of the Code using real-world situations in a manner that is relatable and practical. This NOCLAR installment is part 1 of 2 and is focused on explaining the actions that accountants in business, including senior professional such are directors, and officers are expected to take when they become aware of, or suspect a NOCLAR within their employing organizations. Part 2 will focus highlighting provisions that apply to auditors and other accountants in public practice in client service. Previous installments highlighted the Code’s five fundamental principles of ethics and conceptual framework, as well as more topic-specific requirements, such as independence and conflicts of interest.

“The Exploring the IESBA Code series is the result of a strong collaborative effort between the International Federation of Accountants and the International Ethics Standards Board for Accountants (IESBA),” said Kevin Dancey, CEO of IFAC. “International standards are the bedrock on which our profession is built, and IFAC is committed to developing resources that raise awareness and encourage the adoption and implementation of such standards.”

Dancey continued, “We launched the Exploring the IESBA Code initiative last November to support the work of IESBA and highlight the substantively revised and restructured Code, including the digital eCode. We are pleased to see this material being used by professional accountancy organizations around the world to promulgate guidance on ethics and independence, and we will continue to support this important work.”

The Exploring the IESBA Code is published by IFAC and does not form part of the Code. It is non-authoritative and is not a substitute for reading the Code.

5. **IAASB ASSISTS WITH AUDIT CONSIDERATIONS FOR THE IMPACT OF COVID-19**

Dear Stakeholder:

The COVID-19 pandemic continues to disrupt markets, businesses, and organizations. This disruption has spawned an environment of uncertainty and unpredictability that may create risks that are new, or intensified, in the circumstances.

To serve the public interest, the IAASB has sought to assist, adapt, and collaborate with its many stakeholders. Now is no time to relax the commitment to the public interest. Our goal is to support the important role auditors must play in sustaining trust in financial and other external reporting. The IAASB has been closely working with its national standard-setting partners and the International Ethics Standards Board for Accountants (IESBA) to coordinate efforts and has been in regular discussion with regulatory authorities.

The purpose of this note is to update stakeholders on the outputs of our “assist” activities, although our efforts have also focused on adapting our work plan and ways of working, as well as targeted coordination with many of our stakeholders.
A core element of our COVID-19 response has been the development of a series of specific COVID-19 audit related resources to help our stakeholders, and the larger accountancy community, navigate the application of the International Standards on Auditing (ISAs) in the current circumstances.

Since March, the IAASB has published six “Staff Audit Practice Alerts” which address the following topics:

1. **Areas of Focus in an Evolving Audit Environment Due to the Impact of COVID-19**

   Highlights some of the broader areas that may need to be further considered in designing and performing audit procedures to obtain sufficient appropriate audit evidence, and to report accordingly.

2. **Going Concern**

   Highlights key areas of focus when undertaking procedures relating to, and concluding on, the appropriateness of management’s use of the going concern basis of accounting in accordance with the ISAs, as well as reporting requirements where there are material uncertainties related to the entity’s ability to continue as a going concern.

3. **Subsequent Events**

   Highlights key areas of focus when undertaking procedures relating to subsequent events in accordance with the ISAs, i.e., matters related to events occurring between the date of the financial statements and the date of the auditor’s report and the effect, if any, of such on the entity’s financial statements.

4. **Auditor Reporting**

   Highlights key areas of focus relevant to auditor reporting in accordance with the ISAs, including modifications to the auditor’s opinion, the ‘material uncertainty related to going concern’-section, key audit matters, emphasis of matter and other paragraphs, as well as interim review reports (in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity).

5. **Auditing Accounting Estimates**

   Highlights key areas of focus when undertaking audit procedures relating to accounting estimates and related disclosures in accordance with the ISAs, in particular considering the significant impact of estimation uncertainty and subjectivity in the current environment on accounting estimates.
6. **Review Engagements on Interim Financial Information**

Highlights key matters for consideration when undertaking a review of interim financial information in accordance with ISRE 2410, including the auditor’s work effort and reporting considerations.

To allow for easier accessibility for the broader audience, the IAASB has established a separate COVID-19 Resource Page, as part of the IAASB website. This page not only houses the topic-specific Staff Audit Practice Alerts, but also provides several other areas of interest, including thought leadership from the IAASB, webinars on related topics, and links to other web-based COVID-19 resources. We encourage all direct users of our standards, as well as the broader financial community, to utilize these resources.

The IAASB will continue to adapt the way we work for the current evolving environment and provide assistance to those who use our standards. To learn more, and be kept aware of the latest developments, join our mailing list and follow us on Twitter and LinkedIn, as we will announce updates to our response on all three channels.

Yours sincerely,

Tom Seidenstein
Chair, IAASB Board

6. **APESB AND IESBA STAFF COLLABORATE ON ETHICS GUIDANCE FOR PROFESSIONAL ACCOUNTANTS NAVIGATING COVID-19 CIRCUMSTANCES**

The Staff of the Accounting Professional & Ethical Standards Board (APESB) and the International Ethics Standards Board for Accountants (IESBA) has on 31 July 2020 released a new publication, *Applying the Code’s Conceptual Framework in COVID-19 Circumstances: Scenarios in Taxation and Valuation Services*, providing guidance to professional accountants in applying the conceptual framework in the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) during certain circumstances brought on by the COVID-19 pandemic. The publication uses four hypothetical scenarios covering services or activities relating to taxation and valuation services. Two scenarios include guidance for professional accountants in public practice, and two scenarios are focused on professional accountants in business.

The publication was developed by the Staff of the APESB as one of the initiatives of a Working Group formed by the IESBA and national ethics standard setters (NSS) from Australia, Canada, China, South Africa, the UK and the US. The Group’s mandate is to develop implementation support resources to assist accountants effectively apply the Code when facing circumstances created by the COVID-19 pandemic.
The Group is chaired by the IESBA Deputy Chair, Mr. Richard Fleck, with support from IESBA and NSS staff. Working Group organizations comprise: APESB (Australia); Chartered Professional Accountants Canada; the Chinese Institute of Certified Public Accountants; the Independent Regulatory Board for Auditors (South Africa); the UK Financial Reporting Council; and the American Institute of Certified Public Accountants (US).

The publication can be found on the IESBA’s COVID-19 resource page which serves as the landing page on the IESBA’s website for topics related to COVID-19.

7. FROM ESSENTIAL TO INDISPENSABLE: FIVE STEPS TO NAVIGATING THE COVID-19 STORM

We often tend to think of change as gradual. And sometimes it is. But think for a moment about tectonic plates...those slow-moving plates under the earth’s surface. Most of the time, they move slowly. At other times, they press up against each other and the pressure builds and builds until there’s a dramatic tectonic shift...an earthquake. That’s what we’ve all experienced.

On the Richter scale, it was off the charts. And the aftershocks will continue to reverberate.

The size, scope and speed of this crisis makes this even more dangerous which means that imagining a ‘new normal’ seems inadequate. I prefer to use the McKinsey term recently coined as the ‘next normal’. This is meant to reframe our thinking and change our paradigms from getting “back to business” to imagining what the “next normal” will be like. It’s part of our quest to make CPAs, finance and accounting professionals #FutureReady, to see further than their competition, and to be aware, predictive, and adaptive of future trends and issues that seem to accelerate with each passing day.

With all that’s happened—with all that’s still happening—many CPAs, finance and accounting professionals are busier than ever.

But, if we’re not careful, if we don’t manage to look ahead and devise the right long-term strategies for success, there’s a real risk for us and our organizations to busy ourselves out of business.

Inspired by a recent McKinsey’s article titled "Beyond coronavirus: The path to the next normal", we think there are five distinct stages we must navigate to get through the COVID storm — Resolve, Relief / Resilience, Reopen, Reimagine, and Redefine / Reinvent. We also believe three new skills — Anticipation, Agility, and Adaptation — will dominate our ability to navigate these turbulent times.

Let’s talk about these stages and skills in detail:

1. Resolve

The shock of this “black swan” event was immediate and severe as governments reacted and shut down economies like flipping a giant switch. McKinsey describes this stage as “safeguarding our lives and our livelihood.” Leaders were immediately called on to exhibit
perseverance and resolve to calm their stakeholders’ growing fears and preserve their organizations in the midst of massive uncertainty. Accounting and finance professionals were quickly deemed “essential” workers and were allowed to return to work on a limited basis to keep businesses and the economy moving. The big question was how long this stage would last, and we all stayed glued to nightly briefings from Government representatives for answers.

2. Relief and Resilience

After the initial shock of the massive shelter-in-place orders, it became clear this would not be a short-term event. Government’s walked us through the hard realities, with initial predictions that it would take two weeks to “flatten the curve.” Two weeks became four, and four weeks became eight, and the number of confirmed cases continued to rise as businesses began adjusting to the harsh reality of an extended shutdown. Layoffs grew, and Governments began to talk about relief packages. In the US all of these packages ran through the accounting, tax, and payroll systems, underscoring that the profession is “essential” infrastructure for the country’s economic well-being. Leaders and organizations were tested for their ability to survive, and cash was — and still is — king. CPAs were critical in helping businesses and their clients quickly navigate massive new legislation and regulations that were changing daily. While doctors and nurses were on the frontlines of the health crisis, CPAs and other accounting and finance professionals were on the frontlines of the financial crisis, protecting our lives and livelihoods. The money began to flow from relief and stimulus programs and many businesses were able to survive, though some did not.

3. Reopen

Most of us are now in some part of the Reopen phase and businesses are being challenged as the pace of return varies from countries to states to local jurisdictions. Adding to the complexity are accelerating Hard Trends that were already in motion before the pandemic hit. Cloud computing, e-commerce, visual/video conferencing, big data, artificial intelligence, cybersecurity, and robotic process automation are just a few of those technologies accelerating businesses adaptation to the pandemic. Digital transformation and customer and employee experience should be top of mind as you plan your return strategy. Of course, the most important issue is the health of your team, your customers, and your company or firm.

4. Reimagine

McKinsey says, “A shock of this scale will create a discontinuous shift in the preferences and expectations of individuals as citizens, as employees, and as consumers. These shifts and their impact on how we live, how we work, and how we use technology will emerge more clearly over the coming weeks and months.” As we look back, we can see more clearly how we adapted to the initial shock of the pandemic. Now it is time to look forward and reimagine what lies ahead post-pandemic. Major parts of business operations like supply chains, a new distributed workforce, contactless commerce, and the need for continued digital transformation will require us to anticipate how these trends will impact our organizations to seek new opportunities for us and our clients. Next is to lead the creation of a new vision for the future and to mobilize the consent of others as you see through the fog of uncertainty. This is what
we mean to be future-ready — “to have the capability to anticipate the hard trends and take action with strategic intent and purpose in order to adapt quickly and thrive.”

5. Redefine and reinvent

In this phase, we will know what it is like to live through a global “black swan” event and be ready to put into practice many of the key learnings and experiences we have gained. Understanding the predictable Hard Trends and visible future allows us to anticipate the massive social, health, and government changes to come, as well as the continued march of exponential advances in technology. We can expect significant changes in almost every structure we knew before the pandemic, including taxes and regulations in almost every industry. Some will become permanent and some will fade away. The leaders’ job will be to continue shaping their organizations through a constant iteration of redefining and reinventing their context as the pandemic fog clears. And of course, there is a risk of a recurrence that could thrust us back to the reopen phase ... or earlier.

In a COVID-19 world, phrases like “new normal” and “next normal” are well worn and overused, to the point of becoming clichés. But there’s a reason why phrases become clichés: There’s an element of truth to them that attracts people over and over again.

We are entering uncharted territory. A new world is upon us. Those who conquer it will be those who reimagine, redefine, and reinvent not only themselves and their businesses, but what it means to live and work in a post-pandemic world. This presents an amazing opportunity for our Profession to play an important role helping to shape this future with insight and integrity. This is our chance to move from being ‘essential’ to ‘indispensable’, to step out from behind the spreadsheets, reports, and forms to be the ‘most trusted advisor’ that the next normal will require. Our millions of businesses from Main Street to Wall Street need us more than ever!

This is our opportunity to make this our defining moment!

For further information: http://www.ifac.org

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