

# Financial Reporting under Covid-19

## - raising the bar

The impact of the coronavirus (COVID -19) is being felt by all businesses around the world. COVID-19 impacts all areas of businesses, including financial reporting and the manner in which audits are performed.

During this challenging time, it is critical that preparers of financial statements and those charged with governance take the additional time needed to ensure that the circumstances and challenges facing the reporting entity are sufficiently considered, evaluated and disclosed in the financial statements.

To assist in achieving this objective, the JSE has extended certain reporting deadlines. Entities with December 2019 to July 2020 year ends have been provided with a two-month extension and a one-month extension for interim periods from March to July 2020. The JSE's primary objective is to ensure that issuers have sufficient time to ensure that they are able to issue quality financial reports - see the following [link](#).

### Financial reporting

It is important to ensure that there is transparency in financial reporting for the benefit of investors, shareholders and the users of financial statements. As a result, enhanced disclosure is paramount given the potential significance of the impact, the uncertainties created by COVID-19 and the related economic impacts.

Regulators, for example the JSE, and other stakeholders will be looking to entities to provide robust, entity-specific (as opposed to boiler plate) disclosures in the financial statements describing the impact of COVID-19 on the entity, including the significant judgements and estimates applied by the entity in preparing the financial statements. These would include, for example (but are not limited to), going concern and impairment assessments.

An entity should also provide additional disclosures, even if not explicitly required in terms of IFRS, to enable a full understanding of the impact of COVID-19 and related economic consequences on the entity. This may include additional line items, headings and subtotals when such presentation is relevant to an understanding of the entity's financial position, performance, and additional note disclosure.

The South African Institute of Chartered Accountants (SAICA), the JSE and various other bodies have issued guidance on various financial reporting considerations arising from the pandemic. SAICA has issued IFRS [educational material](#) dealing with a range of relevant COVID-19 related financial reporting topics that could impact entities.

The JSE has [highlighted](#) the importance of transparency in financial reporting through providing detailed disclosure of estimates, judgement and risks (amongst others). While the guidance issued by the JSE is targeted to JSE listed entities, it is also more broadly applicable.

#### Some of the key financial reporting considerations to focus on include:

- Going concern
- Impairment of assets
- Disclosure of judgements and estimation uncertainty in the financial statements
- Risk disclosures in terms of IFRS 7
- Presentation of profit / loss, including highlighting the nature and amount of material items
- Providing additional disclosure where not explicitly required by IFRS, to enhance understanding
- Interim reporting is likely to be more robust

To assist you in understanding the various financial reporting requirements, please visit [KPMG's Global IFRS COVID-19 Financial reporting resource centre](#), which includes our various podcasts on the following topics:

- [Financial reporting implications](#),
- [Accounting for provisions](#),
- [Estimating in uncertain times](#) and
- [Accounting for government assistance](#).

## Audit impacts

It is also important that entities (including those charged with governance and their financial reporting teams) understand the implications of the pandemic on the audit process and the responsibilities of the auditor. Audit regulators, including the Independent Regulatory Board for Auditors (IRBA) have issued additional guidance to auditors, who are required to apply increased due care and objectivity in the performance of their audits during this time. It is important that the preparers of financial statements, the auditor and those charged with governance are aligned on the increased reporting requirements for the entity and the auditor, as well as greater expectations of the auditor, arising from the pandemic.

The IRBA have issued guidance on a number of key areas, including (but not limited to):

- The importance for the entity and the auditors to communicate useful information in the financial statement disclosures and the audit report. ([see link](#))
- Highlighting that additional time may be required by auditors to complete high quality audits, as required by the auditing standards and other requirements, and that relevant deadlines may need extension. ([see link](#))
- Management and the auditor's requirements regarding the assessment of the entity's ability to continue as a going concern, in particular during the current uncertainties. ([see link](#))
- Implications of COVID-19 on audits and audit risks, including group reporting considerations and audit evidence. ([see link](#))

In addition, SAICA has also issued frequently asked questions (FAQ's) regarding [the impact of COVID-19 on audit considerations](#). These FAQ's provide guidance to auditors on the challenges that they are likely to face and the practical considerations in dealing with such challenges. Auditors have been innovative in adjusting their audit approach, to ensure that sufficient and appropriate audit evidence is obtained to support the audit opinion, while ensuring that the required level of audit quality is maintained.

## Interim reporting

For entities with 31 December 2020 year-ends, the 2020 interim reporting period will be the first reporting period when the impacts of COVID-19 are reflected in their financial statements i.e. it will affect the measurement and recognition of assets and liabilities, income and expenses. Preparing the 2020 interim financial statements is likely to involve more than the usual update since the last annual financial statements. Investors and other users may expect information above and beyond what is typically disclosed in interim reports.

Condensed interim financial statements typically focus on changes since the last annual financial statements. Entities are required to provide an explanation of events and transactions that are significant to an understanding of the changes in / updates to their financial position and performance since the last annual reporting date. Given the rapidly changing economic outlook and trading conditions, information in the 2020 interim financial statements may, for many entities, be more comprehensive than what would normally be provided in an interim report.

Although many disclosures required by other IFRS Standards are not mandatory in interim financial statements, in the current circumstances, entities may need to provide some of these disclosures to ensure that the interim financial statements provide relevant information to the users. Entities may wish to consider whether a review opinion would be appropriate in the current circumstances.

Various resources have been issued to guide entities and auditors regarding some of the key considerations and requirements related to interim reporting. Refer to the below resources:

- [KPMG - What is the impact of COVID-19 on interim financial statements](#)
- [JSE Letter dated 25 May 2020, which highlights some key aspects of disclosure in interim reports](#)
- [IRBA - A focus on interim financial information](#)
- The International Auditing and Assurance Standards Board ([IAASB](#)) - [Review Engagements on Interim Financial Information in the Current Evolving Environment Due to COVID-19](#)

## Non-IFRS information

An entity may provide COVID-19 related additional information or financial analysis outside its financial statements. Entities should ensure that users are provided with the full information required and that it does not detract from the financial information that is provided by the entity. In addition, the information that is provided outside the financial statements should be transparent, understandable, reliable, consistent from period to period and should not be misleading. For JSE listed entities, this may constitute pro-forma information. The JSE has provided additional [guidance](#) in this regard.

## Other available resources:

<a href="#">SAICA COVID-19 page</a>	<p>This is a repository of various publications dealing with IFRS, auditing, regulatory and various other matters. This also includes documents/ links to documents issued by the International Accounting Standards Board (IASB), the IRBA, other regulators and standard setters and specific <a href="#">educational documents</a> to assist preparers in applying IFRS. The IASB also issued an <a href="#">amendment to IFRS 16</a> to help lessees account for COVID-19 -related rent concessions. This site includes both local and international information.</p>
<a href="#">IRBA COVID-19 page</a>	<p>Dealing with audit guidance. While aimed at auditors, it is also more broadly relevant and includes publications and guidance from various regulators and other bodies. (<a href="#">see link</a>)</p>
<a href="#">JSE COVID-19 page</a>	<p>Contains guidance notes, market notices and other communication that the JSE has issued related to COVID-19. The JSE appreciates that the impact on businesses has been varying and the JSE has been in constant engagement with issuers and sponsors on a case by case basis to find solutions. (<a href="#">see link</a>)</p>
<a href="#">IFRS Foundation COVID-19 page</a>	<p>Contains education materials on IFRS 9 and IFRS 16. This page also details the IASB's intention to continue with time sensitive projects while delaying timelines of others. (<a href="#">see link</a>)</p>
<a href="#">IAASB COVID-19 page</a>	<p>Contains resources assembled by the IAASB, to help stakeholders and the larger accounting community, navigate some of the challenges. This page includes guidance on different and enhanced considerations by auditors in the current circumstances. It is audit focused. (<a href="#">see link</a>)</p>

More IFRS news and publications are available from the following sources:



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