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COVID-19: FINANCIAL REPORTING

The integrity of financial information is a cornerstone of our capital markets. In light of the current COVID-19 environment, the JSE has been playing an active part in various forums to ensure that issuers are well placed to issue quality financial reports. This letter serves to draw attention to various accounting and auditing related matters.

COVID-19 Taskforce

A South African COVID-19 Taskforce was established on 2 April 2020. The main purpose of the Taskforce is to align the activities of all financial regulators and the accounting and audit profession to ensure that measures and initiatives address issues identified by all role-players in the financial reporting chain in a cohesive way. The full terms of reference document of the Taskforce is available of the IRBA website.

Accounting matters

The JSE Listings Requirements require financial information to be prepared in terms of IFRS. The IFRS standards are robust and we expect that, when considered carefully, issuers will see that that IFRS largely provides the necessary direction on how to account for the impact of COVID-19.

As these are unusual times it would be useful to have one central repository dealing with financial reporting matters. SAICA is assisting in this regard through the following initiatives.

- 1) They have created a COVID-19 portal which deals with IFRS related matters (<https://www.accountancysa.org.za/covid-19/saica-resources/covid-19-ifrs/>);
- 2) Documents that are/have been issued by the IASB, other regulators and audit firms are also referenced on their portal;
- 3) Through their technical committee (the Accounting Practice Committee), SAICA has identified topics which may cause concern for preparers of financial statements (“**preparers**”);

Executive Directors: Dr L Fourie (Group CEO), A Takoerdeen (CFO)

Non-Executive Directors: N Nyembezi (Chairman), ZBM Bassa, MS Cleary, F Daniels, VN Fakude, Dr M Jordaan, Dr SP Kana, FN Khanyile, BJ Kruger, DM Lawrence, Dr MA Matooane

Group Company Secretary: GA Brookes

- 4) When one of the parties referred to in (2) above have not already done so, SAICA aims to issue educational documents to assist preparers in navigating IFRS;
- 5) To date, five educational documents have been issued, covering the following topics:
 - Events after the reporting period (i.e. when is COVID-19 an adjusting/ non adjusting event);
 - Going concern considerations in light of COVID-19;
 - Disclosure of estimates and judgements (these become even more important during this time);
 - Borrowing Costs (or the ongoing capitalisation thereof);
 - Revenue from contracts with customers (specifically variable consideration and contract modifications); and
 - Onerous contracts (created through the COVID-19 lockdown).
- 6) An internal staff paper of IFRS 16 considerations, has also been issued;
- 7) Several other topics are still under consideration in areas such as: Implications on prior period business combinations; Inventory write downs and Financial instruments; and
- 8) Further documents will be issued and lodged on that portal as they are finalized. Previously published material may also be revised.

Auditing matters

The South African Audit Regulator, the IRBA, has a similar repository of documents and have also issued several communiqes on their portal, <https://www.irba.co.za/guidance-for-ras/general-guidance/covid-19>.

We believe that the following would be of interest to *preparers*, as it talks to the potential nature of audit reports:

- 16 March 2020 IRBA Communique - The Impact of COVID-19 on the Auditor's Report: Going Concern.

The following documents may be of particular interest to *audit committees*:

- 20 March 2020 IRBA Communique – Implications of the COVID-19 outbreak on audits and auditors;
- 21 April 2020 IRBA Communique - COVID-19 High Quality Audits and its Implications for Reporting Deadlines; and
- 23 April 2020 IRBA Communique - COVID 19 and its impact on File Assembly (Archiving).

SAICA has, similarly, created a useful repository of auditing related documents, available on their COVID 19 landing page <https://www.accountancysa.org.za/covid-19/>. They are also currently finalising a document entitled "FAQ: The impact of COVID -19 on audit considerations which is due to be issued next week."

Although the content of the document is primarily directed to auditors, it will again be of relevance to audit committees as they consider their own obligations and to preparers in understanding the auditing landscape during this time.

Conclusion

We wish to highlight that these are ongoing activities, and that issuers are advised to continue to monitor the websites referred to above for ongoing updates. The JSE's active participation in financial reporting matters goes beyond the above areas and we will advise you of any further developments in due course.

We also draw your attention to the Issuer Regulation JSE COVID-19 portal, which serves as a repository of the COVID-19 letters that the JSE has issued (<https://www.jse.co.za/current-companies/issuer-regulation-covid-19>).

Should you have any queries with regards to the content of this letter please contact Tania Wimberley.

Yours faithfully

A handwritten signature in black ink, appearing to read 'A F Visser', is placed here.

**A F VISSER: DIRECTOR
ISSUER REGULATION DIVISION**

Cc JSE accredited auditors