Deloitte.

The latest board insights on COVID-19

The Deloitte Academy | May 2020

MAKING AN IMPACT THAT MATTERS since 1845

Contents

Foreword

Dear Director

As we gradually emerge from lockdown, and as we look forward to the interim reporting for most companies, we thought it useful to bring together many of the areas which have been featured in the webinars of the Deloitte Academy these past weeks. We examine:

- key features from leadership frameworks, taking account of our experiences in China, to help boards navigate and recover from the consequences of the pandemic;
- key aspects of the regulatory response and reporting matters for companies to address; and
- the essential corporate governance matters boards consider as they both challenge and support their executive teams.

We hope you will find this digest a useful read. Do please contact us on any matters, our details are at the back.

We look forward to seeing you at one of our webinars soon.

Yours faithfully,

William Touche
Vice-Chair
Leader of the UK Centre for Corporate Governance

A rapidly changing regulatory landscape

How regulators have responded to support company reporting

A core focus on ensuring consumers are protected and markets continue to function well

Gender Pay Gap Reporting

The Government Equalities Office and the Equality and Human Rights Commission have announced that gender pay gap reporting deadlines will not be enforced this year – there is no expectation on employers to report their data for 2019/20. Of course those companies that have reported will demonstrate even greater commitment to this important area. Full details available here.

Hampton-Alexander FTSE 350 Leadership Gender Data Submission 2020

This would normally take place in July, based on a 30th June snapshot reporting position. For 2020 this will be extended to be a snapshot as at 31st October covering progress over a 16 month period, 1st July 2019 to 31st October 2020. Full details available here.

Modern slavery reporting

In light of the COVID-19 pandemic, government guidance has been issued saying that, as well as focusing on the health and safety of their workers, businesses will need to consider how fluctuations in demand and changes in their operating model may lead to new or increased risks of labour exploitation. It also recognises that businesses may need to delay the publication of their modern slavery statement by up to 6 months and will not penalise those that do so. Full details available here.

FCA guidance for companies - March 2020/No. 27

1. **Ongoing disclosure under the Market Abuse Regulation (MAR)** - the FCA continues to expect listed issuers to make every effort to meet their disclosure obligations in a timely fashion. Issuers should be aware that their own operational response to coronavirus may itself meet the requirements for disclosure under MAR.
2. **Market volatility and suspension of trading -** in line with existing rules and practice, the FCA will consider requests to suspend trading according to the usual assessment of risks to the smooth operation of the market and the risk of harm to investors. Entities will be challenged on the need for suspension where the FCA thinks the situation is more appropriately addressed by an announcement to the market
3. **Delays in corporate reporting -** issuers are expected to put in place contingency plans to minimise the impact of logistical issues but to consider whether there are non-essential parts of their report and their reporting cycle they can deprioritise. Update 26/03 - for listed issuers, the deadlines under the Disclosure Guidance and Transparency Rules for annual reports have been extended from four months to six months. The deadline for interims remains three months after the period end.
4. **Shareholder meetings -** as a result of coronavirus shareholder meetings may need to involve the use of virtual methods. ICSA and Slaughter & May have published guidance on contingency planning and options for holding AGMs. Update 28/03 – the Business Secretary announced that the Government will introduce relaxations of the AGM rules in company law – at the time of writing legislative changes have yet to be introduced. Update 14/05 - the FRC and BEIS have issued FAQs designed to provide companies with additional information upon which to plan activities over the coming months which are available here and the ICSA has issued guidance on contingency planning for AGMs in light of social distancing requirements, available here.

Press release

Companies to receive 3-month extension period to file accounts during COVID-19

Businesses will be given an additional 3 months to file accounts with Companies House to help companies avoid penalties as they deal with the impact of COVID-19.

Published 25 March 2020

Companies House

As part of the agreed measures, introduced by Companies House, while companies will still have to apply for the 3-month extension to be granted, those citing issues around COVID-19 will be automatically and immediately granted an extension. Applications can be made through a fast-tracked online system which is intended to take just 15 minutes to complete.

Click here to access the application process.

FRC advice to companies on Coronavirus – issued on 26th March

"At this time, the need for fuller disclosure is paramount."

Financial reporting

The FRC's advice included guidance on the following matters in relation to the preparation of financial statements:

- Going concern and material uncertainties
- Significant judgements and estimation uncertainty
- Events after the reporting date

These matters are covered in further detail in the 'Financial reporting' section on pages 23 and 24.

What to expect from your auditors

The FRC has also issued a non-exhaustive list of factors auditors should be considering when carrying out audit engagements in the current circumstances – these matters are covered on page 16.

Audit tenders

In a joint statement the FRC, FCA & PRA have encouraged companies to consider delaying planned tenders for new auditors, even when mandatory rotation is due. The FRC, as the UK's Competent Authority, has the power to permit such delays in exceptional circumstances.

Corporate governance

Management information – directors should consider how to maintain and/or complement the usual flows of information.

Risk management & internal control systems – remote working may lead to risk management processes and internal controls becoming unworkable or otherwise relaxed. Boards should monitor such changes carefully introducing alternative mitigating controls where necessary and practicable.

Dividends and capital maintenance - directors need to consider not only the position of the company when a dividend is proposed but also its position when the dividend is paid. There is a need to take into account current and likely operational and capital needs, contingency planning and the directors' legal duties, both in statute and common law.

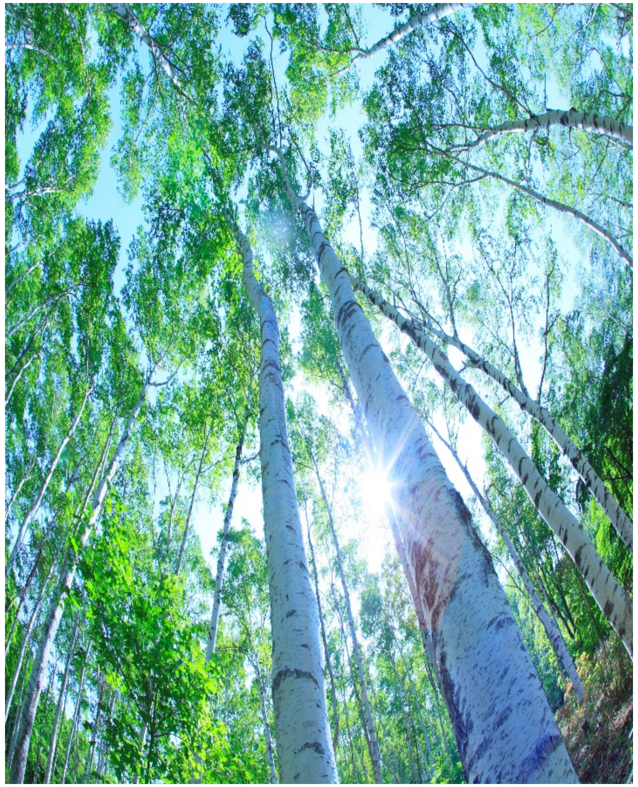
Corporate reporting

Liquidity, viability & solvency – disclosures should focus on explaining the availability of cash within a group of companies, the ability to transfer such resources around the group to where it is needed, given operational, regulatory and legal constraints, and the access to further cash through existing and potential financing facilities.

Strategic report and viability statement

Principal risks and uncertainties - a company should consider the specific resources, assets and relationships that are most under threat and the steps being taken to protect them.

Viability statement - Disclosures should be clear on the company's specific circumstances, the degree of uncertainty about the future and draw attention to any qualifications or assumptions as necessary.



Source: FRC guidance for companies and auditors during Covid-19 crisis

The FRC is updating this guidance page on a regular basis with the latest update on 20 May 2020 in relation to reporting of exceptional items and the use of alternative performance measures (see page 24 for further details).

SEC stresses the importance of disclosure for investors, markets and the fight against COVID-19

Public Statement issued on 8th April

The SEC's three part mission — maintain market integrity, facilitate capital formation and protect investors — takes on particular importance in times of economic uncertainty

Acknowledging that public companies will be issuing earnings releases and conducting analyst and investor calls in the coming weeks, the SEC is urging companies to provide as much information as is practicable regarding their current financial and operating status, as well as their future operational and financial planning.

In particular company disclosures should respond to investor interest in:

- where the company stands today, operationally and financially (including current liquidity position and expected financial resource needs);
- how the company's COVID-19 response, including its efforts to protect the health and well-being of its workforce and its customers, is progressing; and
- how its operations and financial condition may change as all efforts to fight COVID-19 progress. Historical information may be relatively less significant.

The SEC statement notes that producing comprehensive financial and operational reports may present challenges for companies in the current circumstances, particularly reports that include forward-looking information. Companies are encouraged to use the legal protections offered by the safe-harbours for such statements and also to note that good faith attempts to provide appropriately framed forward-looking information will not be second guessed by the SEC.

Source: SEC Public Statement

No relaxation of other standards expected

At time of writing, consistent with the UK regulator's approach, the SEC has not announced any steps to offer relaxations in standards around matters such as the requirements of the Sarbanes-Oxley Act on internal controls over financial reporting. SEC registrants should be planning to comply with these as normal.

Crisis Management

The heart of resilient leadership: Responding to COVID-19

CEOs must display five fundamental qualities of resilient leadership

In the midst of the COVID-19 pandemic, business leaders are rightly concerned about how their companies will be affected and what they have to do next. In the heat of the moment, there are a number of lessons from history that can be applied now.

We have pooled the insights of Deloitte leaders in affected areas around the world to provide practical insights for chief executives and their leadership teams in taking appropriate action.

There are five fundamental qualities of resilient leadership that distinguish successful CEOs as they guide their enterprises through the COVID-19 pandemic:

1) Design from the heart…and the head
2) Put the mission first
3) Aim for speed over elegance
4) Own the narrative
5) Embrace the long view

Resilient leaders can take specific tactical steps to elevate these qualities during the current pandemic, blunting its impact and helping their organisations emerge stronger. With the right approach, this pandemic can become an opportunity to move forward and create even more value and positive societal impact, rather than just bouncing back to the status quo.

Five fundamental qualities of resilient leadership

We recognise that companies are in different phases of dealing with the outbreak, and therefore the impacts vary by geography and sector.

Regardless of the extent of the virus' impact on an organisation, we believe there are five fundamental qualities of resilient leadership that distinguish successful CEOs as they guide their enterprises through the COVID-19 pandemic:

1. **Design from the heart … and the head**. In a crisis, the hardest things can be the softest things. Resilient leaders are genuinely, sincerely empathetic, walking compassionately in the shoes of employees, customers, and their broader ecosystems. Yet, resilient leaders must simultaneously take a hard, rational line to protect financial performance from the invariable softness that accompanies such disruptions.

2. **Put the mission first**. Resilient leaders are skilled at triage, able to stabilise their organisations to meet the crisis at hand while finding opportunities amid difficult constraints.

3. **Aim for speed over elegance.** Resilient leaders take decisive action — with courage —based on imperfect information, knowing that expediency is essential.

4. **Own the narrative**. Resilient leaders seize the narrative at the outset, being transparent about current realities — including what they don't know — while also painting a compelling picture of the future that inspires others to persevere.

5. **Embrace the long view**. Resilient leaders stay focused on the horizon, anticipating the new business models that are likely to emerge and sparking the innovations that will define tomorrow.

Source: Deloitte, The heart of resilient leadership: Responding to COVID-19: A guide for senior executives, March 2020

The heart of resilient leadership: Responding to COVID-19

Case study: Key learnings from leading companies in the Chinese market

There are key learnings from leading companies in the Chinese market related to:

1) Command centre
2) Talent and strategy
3) Business continuity and financing
4) Supply chain
5) Customer engagement
6) Digital capabilities

Source: Deloitte, The heart of resilient leadership: Responding to COVID-19: A guide for senior executives, March 2020

Case study: Key learnings from leading companies in the Chinese market

Command centre

Leading companies in China established emergency response teams right away in order to assess the risks and formulate response strategies after conducting robust scenario planning, which significantly improved epidemic response mechanisms and toolkits.

Talent and strategy

After the initial outbreak, companies began implementing flexible work arrangements for middle- and back-office staff in order to minimise onsite work while meeting basic operational requirements. With remote work capabilities being stress-tested, overall opportunities for improvement were identified and addressed. A digital employee health declaration system was also launched by some companies in order to track employee well-being and to comply with administrative reporting requirements.

Business continuity and financing

Companies immediately began to update/develop business continuity plans to understand contractual obligations, evaluate financial impacts and liquidity requirements, formulate debt restructuring plans, and optimise assets to help restore financial viability. Another core focus was to understand financial impacts across the entire value chain.

Supply chain

Companies in China accelerated investment in digital trading solutions to combat supply chain interruptions, overcome logistics and labour shortages, and get better visibility into local access limitations in order to ensure product supply for the domestic market. Operational agility and data quality were critical in supply chain scenario planning.

Customer engagement

Companies quickly moved to maintain open and ongoing lines of communication with their customers on the impacts of COVID-19 to the business and the emergency actions implemented. This approach of working in partnership has built confidence amid the uncertainty.

Digital capabilities

Companies are revisiting the current e-commerce landscape and developing digital road maps for the short, medium, and long term. Companies realised that digital capabilities needed to be implemented across the entire organisation in order to embed resilience.

The essence of resilient leadership: Business recovery from COVID-19

Resilient leaders are now embracing the shift from 'Respond' to 'Recover'

As we progress into the Recover phase, resilient leaders recognize and reinforce critical shifts from a "today" to a "tomorrow" mindset for their teams. They perceive how major COVID-19 market and societal shifts have caused substantial uncertainties that need to be navigated, considered and seized as an opportunity to grow and change.

For many leaders in the early days of the COVID-19 pandemic, the days started to blend together. In fact, some have said that the COVID-19 world has only three days in the week: yesterday, today, and tomorrow. In that spirit, resilient leaders need to shift the mindset of their teams from "today" to "tomorrow," which involves several changes that have important implications for the path to recovery. Specifically, as shown in the figure below:

	FROM RESPOND	TO RECOVER
Situation	Unpredictable	"Interim" normal
	IMPLICATION: Start by defining the destination at the end of Recover	
Focus	Inward-looking	Market-facing
	IMPLICATION: Articulate the destination as stakeholder outcomes	
Management	Crisis management	Program management
	IMPLICATION: The Recover PMO may need a different skill set	
Planning	Contingency planning	Scenario planning
	IMPLICATION: Model to align financial resources to the ramp-up of operations	
Attitude	Reacting	Reinventing
	IMPLICATION: Opportunity to energize team by imagining successful future and embracing trust as the catalyst	

The only certainty is … uncertainty

There have been substantial shifts in society, its institutions, and in the mindset of individuals. These shifts have resulted in macro-level changes that resilient leaders must navigate:

- Changes in the social contract
- Changes in the roles and rules of institutions
- Unpredictability in financing sources and uses and in capital markets
- Permanence of customer behaviour changes
- Expectations for physical, emotional, financial, and digital safety – the trust factor

Each of these shifts represents a significant area of uncertainty for leaders as the world heads toward a new and yet-to-be-defined equilibrium.

Anticipate the destination

Organisations must make clear choices about where, how, and when they want to emerge using these four moves:

Define the destination - envision what success looks like at the end of recovery, and determine what immediate steps can be taken to move toward it.

Anticipate outcomes - ensure that the path to success is defined by stakeholder-focused outcomes rather than internally focused functional processes.

Run sprints - use agile principles to navigate the range of uncertainties.

Judge your timing - carefully sense when it is appropriate to pivot to Recover.

Trust as a catalyst of recovery

During the Recover phase, resilient leaders inspire their teams to navigate through these significant COVID-related uncertainties. But great leadership requires even greater followership — and followership is nurtured by trust. Experience shows there are traditionally three human dimensions of trust, to which we add the modern fourth dimension – digital trust:

Physical – is the physical space safe?

Emotional – are emotional and societal needs being safeguarded?

Financial – are financial concerns being served?

Digital – is our information secure?

What's normal … next?

What might life be like after the pandemic passes, and what will it take to thrive in a world remade? In a collaboration between Deloitte US and Salesforce, some of the world's best-known scenario planners developed four distinct scenarios that consider the potential future societal and business impacts of the pandemic, "The world remade by COVID-19: Scenarios for resilient leaders".

Source: Deloitte, The essence of resilient leadership: Business recovery from COVID-19

Corporate Governance

The Board's active oversight role related to COVID-19

Boards must take on a highly active oversight role as companies work through the global pandemic

When the stakes are high and scrutiny is intense, the board has a unique and demanding role. Stepping in may be uncomfortable when the executive team is stretched, but stepping aside is not an option. Boards are balancing challenging and supporting Management's risk assessments, business continuity plans and crisis responses, acting as guardians of reputation whilst also ensuring the executive has a value enhancing recovery plan for beyond COVID-19.

Expectations for board oversight were already increasing as new risks continue to evolve rapidly and unpredictably. The board's risk antennae need to be finely tuned and agile, to track changing circumstances in the external environment and amongst the wide range of company stakeholders.

The board can ask key questions related to, but not limited to:

1. Exploring exposure and potential financial, operational, and strategic impacts
2. Crisis-response roles and responsibilities
3. Effective management reporting to the board during times of crisis
4. Management's internal communications strategy
5. Scenario planning and trigger points for action
6. Accurate information to external stakeholders as the pandemic evolves.

Source: NACD Resource Center: Responding to the COVID-19 Crisis

The Board's active oversight role in crisis management

Boards are responsible for safeguarding the governance, reputation, viability and future value of the organisation. Therefore, crisis management should be a central focus for boards of every organisation, small or large, local or global.

These days, we see boards actively participating in overseeing and assuring crisis management in ways many have never had to do before, such as:

- Management's risk assessments
- Business continuity plans
- Organisational resilience
- Developing new digital strategies
- Enabling the digital workforce
- Communication plans
- Viability threat assessments
- Community engagement and reputation management

A good crisis response is about fixing what can be fixed to the extent possible — but the Board should be externally focused, "bringing the outside in". In a crisis the board comes together to take big decisions with imperfect information that could have significant impact on the future of the organisation.

Boards should also maintain focus on the long-term strategy

The board has a crucial role in supporting a forward-looking agenda and in making sure that the company aligns strategically with the new normal that will follow after this high-impact event which is highly likely to accelerate pre-existing underlying industry trends.

Please visit our global COVID-19 website here for additional resources.

Board decision-making in the current environment – section 172 in practice

For those yet to present their first section 172(1) statement – directors should consider how they will explain their response to COVID-19

Consequences in the long term

Whilst management and the executive team will be battling with the short term, the board needs to retain a clear focus on the longer term consequences of decisions and support management to adapt and develop strategies to help the business recover and thrive after the pandemic subsides.

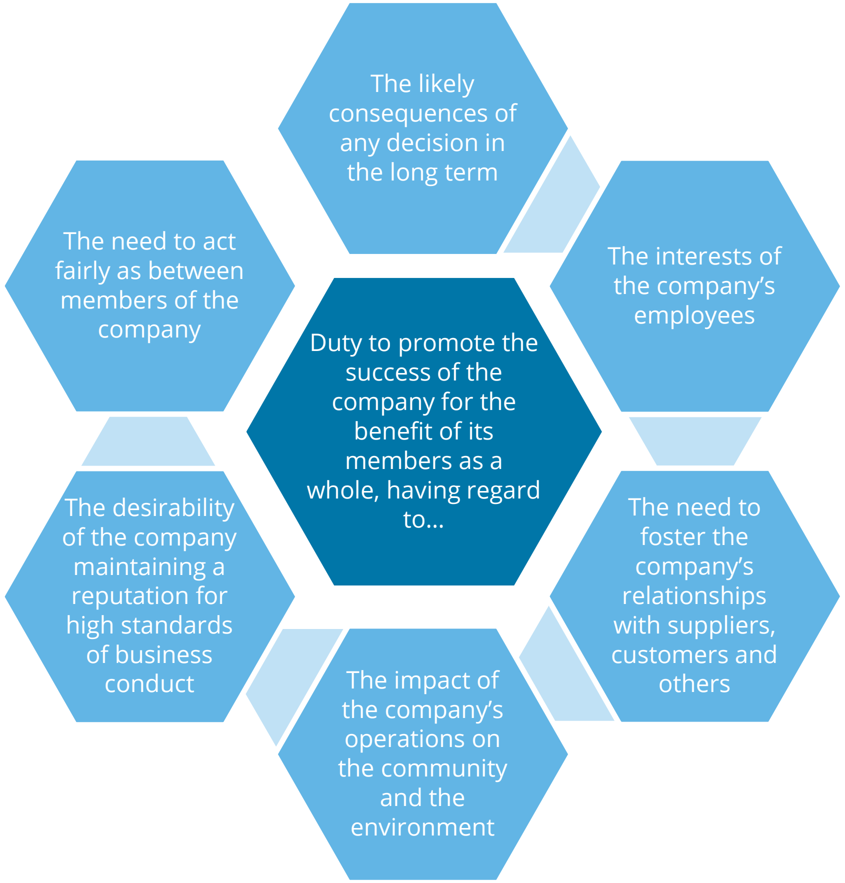
Acting fairly between shareholders

Companies are working very hard to keep their shareholders well-informed at this time. COVID-19 market updates are flowing through the RNS process every day with announcements on matters such as dividend payments, executive pay and reporting timetables. The board's shareholder engagement activities should cover all major shareholder groups so that no group feels "out of the loop".

High standards of business conduct

It is in times of crisis where a company's core purpose and values can provide a true 'North Star' for all to follow. As strategy needs to flex to meet the new normal, purpose and values should remain consistent and provide a constant reminder of what is important. Boards who are able to hold true to these core principles will find their stakeholders more understanding and supportive.

In the current environment, decisions are being made at pace. In these situations there is a danger that the purpose and core values of the business take a back seat…but boards today are very conscious of reputational damage and the importance of a framework of principles. At the end of the year, boards will be reporting the factors they have considered in their section 172(1) statement, so good papers supporting critical decisions taken now are even more important.



Interests of employees

For most businesses COVID-19 presents unprecedented challenges for their employees in terms of health, well-being and financial security. Decisions taken now will live long in the memory, and many decisions will be extremely hard. Effective communication channels to and from the workforce are critical at this time to allow the board and management to really understand the challenges employees are facing so that they can be taken into account when making decisions.

Fostering key business relationships

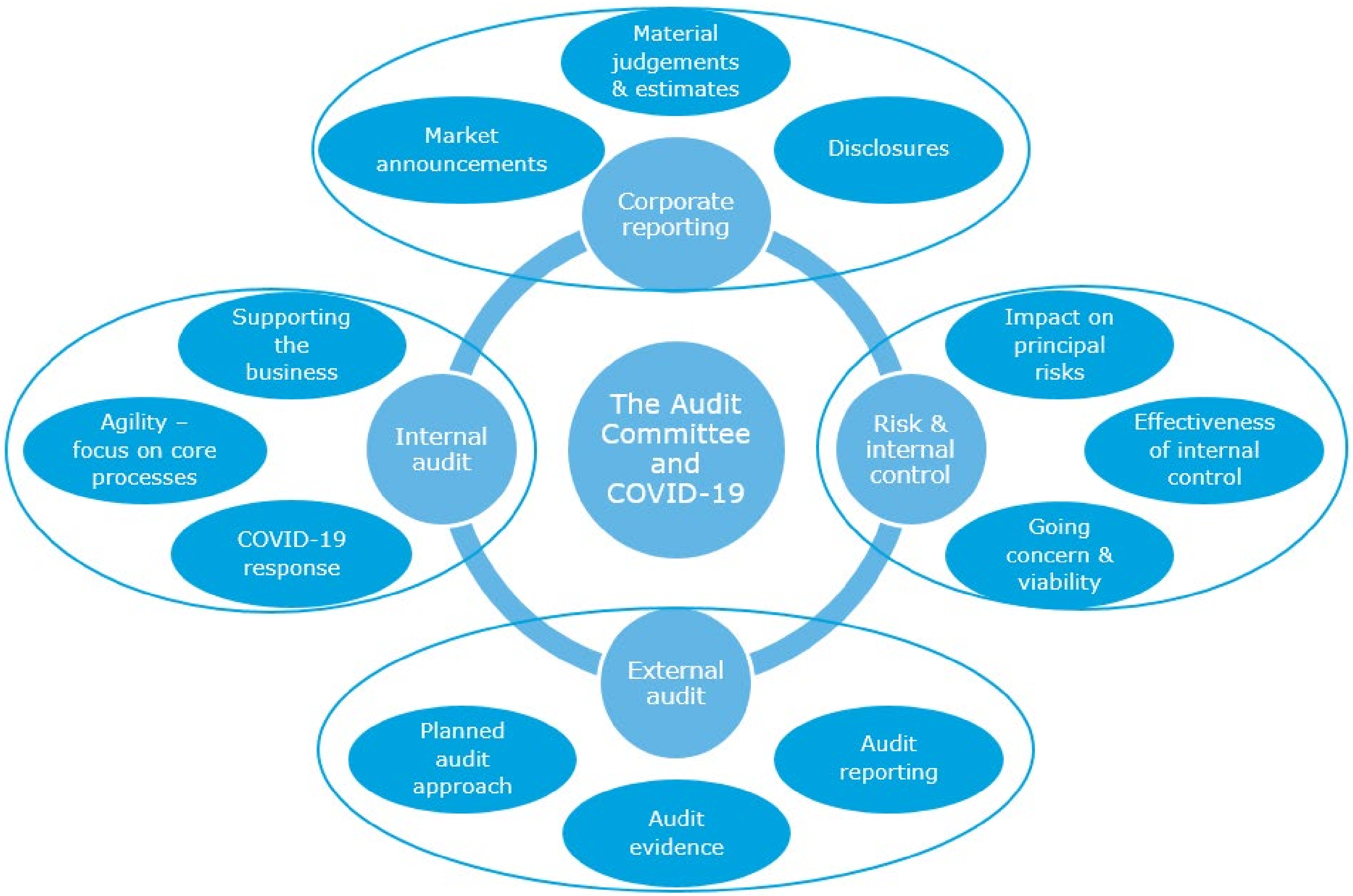
All aspects of the corporate eco-system are likely to be stressed. As much as clear information about future plans is important for investors, it is also important for those with whom the entity has key business relationships. Only with clear communication and trust will the wheels of the business be able to turn efficiently again as we emerge from the pandemic. Keep suppliers informed regarding supply expectations and payments.

Impact on community & environment

Businesses are rightly paying much attention to the communities in which they operate. Leaders should also be thinking about "capturing the Covid-19 climate dividend" across operations such as technology, future working practices, travel, real estate footprint and supply chains.

The Audit Committee's role related to the impacts of COVID-19

COVID-19 impacts on all aspects of the Audit Committee's remit



The role of the Audit Committee

The impact of the COVID-19 pandemic, together with a company's response to the pandemic, will have implications for all aspects of the audit committee's already very busy remit, as can be seen by the diagram on the left and considered in more detail in the following pages.

Companies need to provide investors with insights regarding their assessment of liquidity, and plans for, addressing material risks to their business and operations resulting from COVID-19 and to keep investors informed of material developments. CFOs and Audit Committees are also considering the impact on accounting conclusions and disclosures and the resulting impact on financial reporting communications to the market.

Logistical challenges

"Virtual" meetings will need to be carefully choreographed by the Audit Committee Chair and good practices such as "pre-meetings" with key participants should still be undertaken. Extra time may be required for the preparation of papers due to resource constraints and their supreme importance. Additionally, the committee may have challenges in being quorate in the unfortunate situation of members falling ill.

Auditors will need to agree communications with audit committees, and how to ensure that sufficient time is set aside by audit committees for comprehensive, complete and informed communication with the auditor. This will need to take account of the potential for extended communication to explain any modified audit reports, or to report any higher than expected deficiencies or misstatements, that may result from the current circumstances.

The Audit Committee's role related to the impacts of COVID-19

COVID-19 impacts on all aspects of the Audit Committee's remit

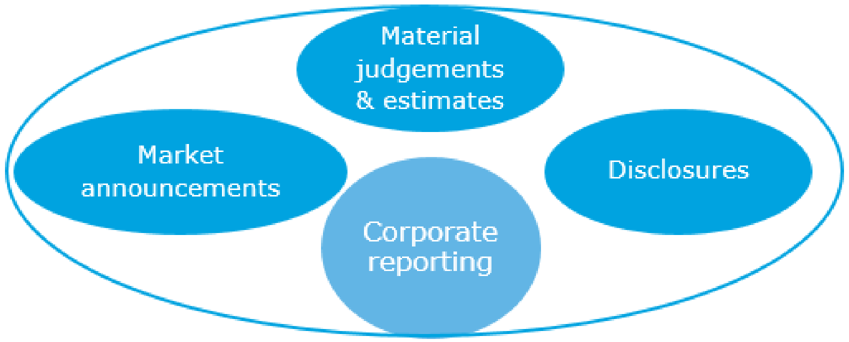
Market announcements

As noted on page 4, companies are still required to meet their disclosure obligations in a timely fashion. There has been a steady stream of issuers providing COVID-19 updates to the market setting out their operational response to the pandemic.

These announcements have covered a broad range of topics:

- Impact on trading/results
- Cash and liquidity position
- Adjustments to operating costs and planned capital expenditure
- Cancellation or suspension of dividends
- Executive pay
- The need for delay in the reporting timetable
- AGM arrangements

As a reminder, the UK Corporate Governance Code makes clear that the board's responsibility to present a fair, balanced and understandable assessment of the company's position and prospects extends to interim and other price-sensitive public records and reports to regulators. Audit committees should ensure that they have appropriate oversight of this communication process and should challenge executive management where communication is not achieving the "fair, balanced and understandable" standard.



Material judgements and estimates

As a result of the uncertainty associated with the economic impact of the COVID-19 pandemic, entities are likely to face challenges in selecting assumptions and developing reliable estimates. Nevertheless, they will still be required by IFRS Standards to develop estimates that underlie various accounting conclusions, and where material to explain these, including the impact of possible variations.

Audit committees will need to consider and understand all available information supporting these judgements and estimates, as well as whether all applicable disclosure requirements have been met. A number of assumptions or estimates may be required for more than one purpose (e.g. forecast revenues may be relevant to impairment tests and recognition of deferred tax assets). Consistent assumptions should be used for all relevant assessments. It is particularly important to provide users of the financial statements with insight into the entity's resilience in the face of the current uncertainty and to convey the key assumptions and judgements made by the board when approving financial information.

For more detail on the key impacts on judgements and estimates see page 24.

Disclosures

The FRC has made clear that the need for fuller disclosure is paramount in the current circumstances. From the disclosures on material judgements and estimates, to the principal risks and uncertainties, the longer term viability statement, dividend policy and disclosures on executive pay – all should be considered as a package of disclosures explaining how COVID-19 is impacting the business and it's financial position.

In addition, new reporting on the directors' duty under section 172 will shine a spotlight on how the board responded to the situation and the way in which decisions took into account the section 172 factors (see page 13). This situation will not only have affected the ability to engage with key stakeholders, but also the nature and focus of that engagement. How the board has met these challenges should be reflected clearly in the company's next section 172(1) statement.

For those companies who have taken advantage of the government assistance packages available (see page 25), there will be a high expectation to demonstrate values based decision making, a decent contribution to wider society and the public interest. Audit committees can play a valuable role in ensuring high quality thinking and communications in this area.

The Audit Committee's role related to the impacts of COVID-19

COVID-19 impacts on all aspects of the Audit Committee's remit

Planned audit approach

The planned audit approach may have anticipated obtaining audit evidence about the operation of internal controls, which the auditor may not be able to obtain through inspection due to disruption or inability to access information or personnel at the audited entity. In such circumstances the auditor will need to consider whether alternative work is necessary, and what alternative audit procedures they can carry out, to obtain sufficient, appropriate audit evidence in support of their audit opinion. These changes should be communicated to and discussed with the audit committee in good time.

At a time when entities are under increased pressure, and internal controls may be not be operating as planned, the auditor should also be considering whether their assessment of risks of material misstatement due to fraud or irregularity needs to be revisited, and whether additional audit procedures need to be carried out. Audit committees should expect to see these considerations in the audit plan.

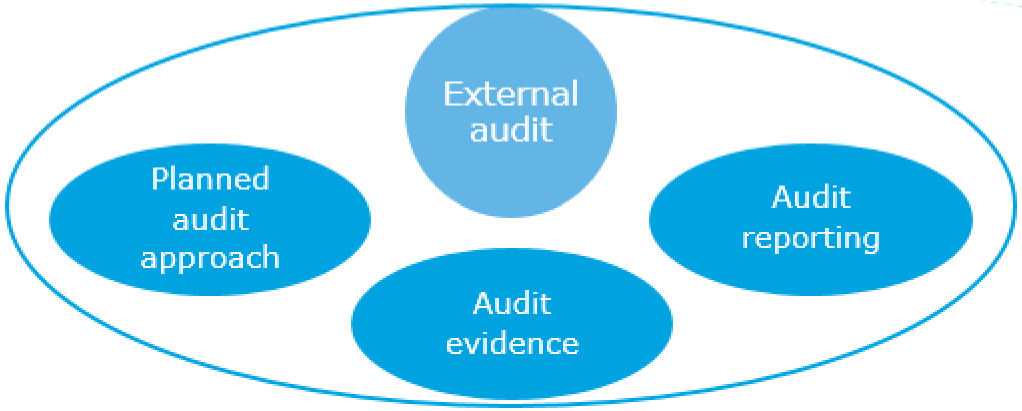
Previously communicated materiality levels may also need to be adjusted as the impact of Covid-19 on an audited entity may result in non-standard amounts or disclosures being recorded in the financial statements.

Audit evidence

As is always the case, the auditor must seek to obtain sufficient, appropriate audit evidence to support their audit report. However, restrictions on travel, movement and visiting company sites may mean this cannot be carried out as planned or within management's planned timetable for issuance of the audited financial statements.

Auditors will need to think about whether there are other ways for them to obtain sufficient, appropriate audit evidence. This might include employing greater use of technology to examine evidence, but the auditor and the audit committee must be satisfied that there has been appropriate consideration of both the sufficiency and appropriateness of the audit evidence produced.

The auditor will also need to consider the time criticality of certain procedures (for instance stock-takes at the year-end). Where physical verification is required, and time critical, and where physical verification procedures cannot be performed, the auditor will need to consider the implications for their opinion.



Audit reporting

It is likely that the current circumstances will lead to more modified opinions in auditor's reports than would typically be the case.

The auditor should engage early with the audit committee to explain the implications of their proposed report and consider whether there are other procedures that could be undertaken which could mitigate any modification either fully or in part.

Where the impact of COVID-19 is, in the auditor's professional judgement, one of the most significant matters having an impact on the audit of the financial statements, then the auditor should consider reporting this as a key audit matter.

Group audits are an example where issues could arise due to the existence of components operating in areas where restrictions apply, such as over travel or over access to information. A further challenge may arise where the group auditor is unable to carry out their review of component auditor working papers as planned.

As with other disclosures, when drafting the audit report, the auditor should not use boilerplate language, and should aim to inform and support effective decision making for users of the auditor's report and the financial statements.

The Audit Committee's role related to the impacts of COVID-19

COVID-19 impacts on all aspects of the Audit Committee's remit

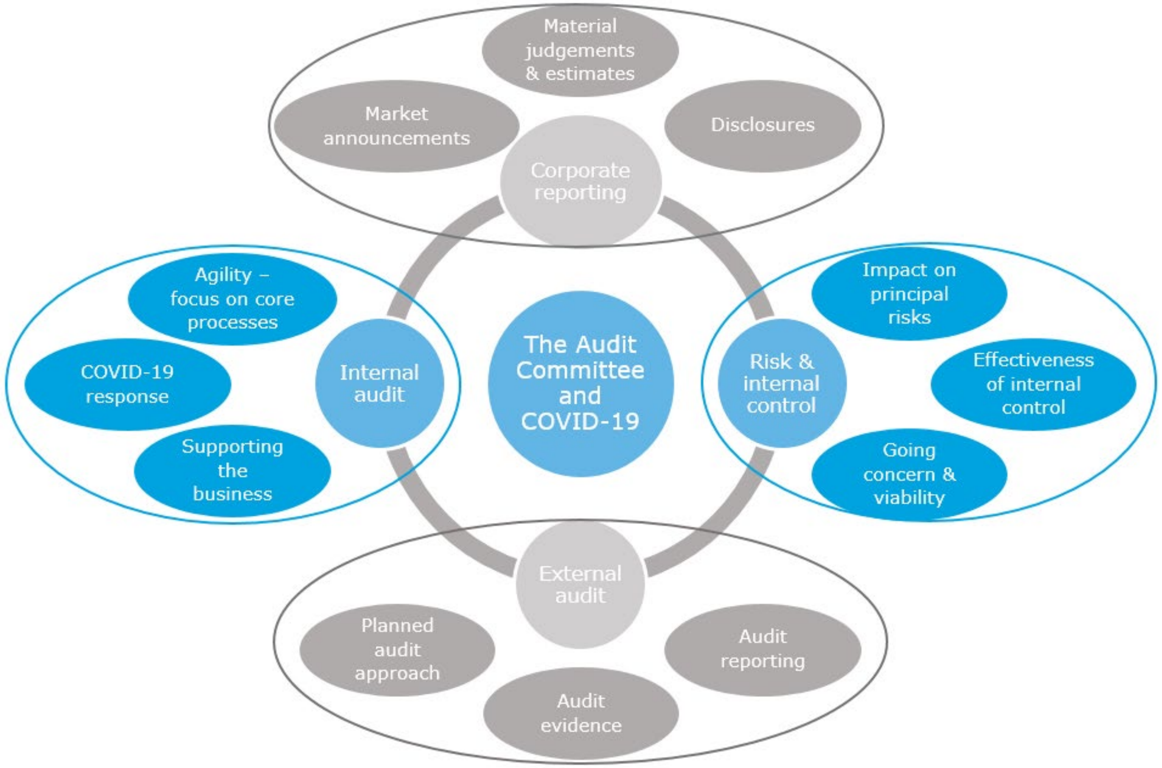
INTERNAL AUDIT

Agility – focus on core processes
Internal audit functions should re-evaluate priorities and identify critical work – focusing on the truly greatest risks. They should consider reducing the amount of stakeholder input required; instead produce short, sharp advisory pieces and leverage system access and available data to the greatest extent.

More frequent updates and assurance can be provided in a dynamic environment.

COVID-19 response
Prioritise providing assurance over emerging risk areas (e.g. scenario analysis, liquidity modelling or setting up an intelligence hub to facilitate scrape open source data and alert organisations of emerging issues, government policy changes, or changing customer behaviours).

Supporting the business
Where it is necessary to cancel and/or defer internal audit work, internal audit should discuss with the Board and formally agree with the Audit Committee if IA resources could be re-purposed to support projects, critical activities or other initiatives including the organisation's response to COVID-19.



RISK & INTERNAL CONTROL

Impact on principal risks
For most businesses the COVID-19 pandemic presents unprecedented challenges to the existing strategy and business model and a whole range of uncertainties for the period ahead as the economy recovers will need to be considered in the assessment of principal risks, together with reconsideration of management and mitigation activities.

Effectiveness of internal control
Matters to consider:
- Scoping and risk assessment conclusions need to be revisited to understand what has changed, including elevated fraud risk
- Design or implementation of controls may need to be adjusted
- May need to plan for increased levels of remote testing or use of data analytics
- Plan for timely & effective responses to any increase in control deficiencies identified
- Usual communication plans with senior management and board members may need to be revisited

Going concern & viability
Given the systemic uncertainties that currently exist, many boards will need to be revising analysis which is developed to support statements on going concern and viability – see page 23 for more details.

Clear messages from the investment community on what they want to see

An FRC Financial Reporting Lab infographic setting out the key disclosures for investors

The FRC's Financial Reporting Lab has been seeking feedback from investors on the disclosures that they would like to see and has produced a short infographic. Companies should communicate clearly the financial resources available to them including cash resources, access to additional finance (such as committed bank lines), and other financing and non-standard debt arrangements (such as supply chain financing).

In addition, the Investment Association has made clear that they expect boards to be taking decisions on their dividends based on what is best for their business over the long term - and that they should decide if any dividend payment is sustainable in light of the current market conditions and business needs.

Audit committees should focus their attention on distributable reserves at the point the dividend is paid and also where significant intra-group dividend distributions or similar transactions may materially influence the solvency or liquidity position of the group or any of the group undertakings involved.

Reporting during times of uncertainty

Financial Reporting LAB

Five current questions investors seek information on...

Resources		Action		The future
1 How much cash does the company have?	**2** What cash and liquidity could the company obtain in the short-term?	**3** What can the company do to manage expenditure in the short-term?	**4** What other actions can the company take to ensure its viability?	**5** How is the company protecting its key assets and value drivers?
Helpful disclosure might include: • The amount and nature of cash and liquid resources. • Where the cash is located within the group (legal entities, countries, currencies etc). • Whether there are any barriers to accessing the cash (capital controls, regulatory issues). • Whether there is an impact from accessing the cash, such as tax or other liabilities.	Helpful disclosure might include: • Information about the company's short-term financing arrangements, facilities and other obligations and likely changes. • Information about the credit lines (committed and uncommitted, drawn and undrawn) the company has access to. • Whether the company has additional support e.g. from related businesses, shareholders, suppliers. • Whether there are any covenants that are being imposed or waived.	Helpful disclosure might include: • Whether the company is changing its dividend policy or cancelling a dividend. • Information on the extent to which supplier financing schemes are being used, and what commitment the provider has given to maintain access to these schemes. • Information about the nature and timing of capital expenditure commitments, and whether there is any flexibility. • Information about any payments that may be deferred e.g. tax payments. • Information about the company's approach to its pension funding.	Helpful disclosure might include: • Information of the nature of any government-backed support, by country and any conditions that attach to this. • Information about any stress testing/reverse stress testing carried out and how the viability of different parts of the group are being affected. • Whether there are any intergroup guarantees and commitments. • Details of how the board is monitoring the situation.	Helpful disclosure might include: • Plausible scenarios on revenue and costs over the short-term and into a longer transition period. • Details of the likely impact of shorter-term decisions on the company's key assets and longer-term drivers of value, e.g. people, brands, licences. • Approach to support for employees. • Information about how the company is managing commitments with customers where services are delayed. • Information about how the company might adapt its business model and strategy in the short/medium term.

More guidance is available on the FRC website - https://www.frc.org.uk/about-the-frc/covid-19

Cyber threats in the current environment

Some of the most current cyber threats and trends as identified by Deloitte Cyber Threat Intelligence

Managing cyber risk in the remote workforce

As employees shift to working remotely from their homes, many are using personal devices versus company-issued machines to access their organisation's networks and systems. The addition of these devices into an organisation's environment is increasing the attack surface and cyber adversaries now have extended access to target and penetrate an organisation's most critical assets, data and operational environments.

1. Cyber risk for virtual communications/teamwork applications

The necessity for millions of professional workers globally to continue to meet and work with each other as well as their customers during the COVID-19 pandemic has spurred the quick adoption of various communication platforms such as Zoom, Microsoft Teams and Slack.

Observed threat: Home working and learning demands caused quick adoption of video-conferencing applications. Without security controls in place, adversaries may access and join any meetings.

Suggested top actions:

- Users of video conference platforms need to be mindful of their security needs. Ensure discussions are not highly sensitive. If they are, use an alternative platform.
- Secure all online meetings with passwords at the individual meeting level, or at the user, group or account level for all meetings and webinars.

2. Heightened volume of phishing targeted at employees

The economic impacts of COVID-19 have spurred a series of wage subsidies. As employees receive many communications from government entities and their employers related to this, it is important to raise awareness of phishing campaigns guised as relief payments plans.

Observed threat: Recipients of the Coronavirus relief payments from the government have opened an attachment which used macros to deliver the malware that focuses on obtaining banking information in North America and Europe. This threat will be felt across many geographies as government reliefs are put in place.

Suggested top actions:

- Raise awareness amongst employees who may be receiving a relief payment of malicious phishing campaigns, be specific on what will be shared by your organisation, such as format, timing etc.
- Bolster threat detection and response to promote proactive identification of malicious activity.

3. Increased use of personal devices to work remotely

The use of personal devices by employees working from home leads to significant increased risk of cyber adversaries accessing internal infrastructure where data and intellectual property can be accessed. Personal devices may not have the latest security patches and tools or even a VPN connection to ensure a more secure connection to the business environment.

Observed threat: A spam campaign was observed leveraging a fake "Corona Antivirus" lure to distribute malicious software (malware). Using a fake Coronavirus (COVID-19) themed website, threat actors advertised a "Corona Antivirus", which makes bogus claims to protect users from coronavirus; however the application infects users with malware.

Suggested top actions:

- Ensure IT teams develop and implement corporate security policies and guidelines for the use of personal devices and require that corporate security software is installed on employee devices before such devices can be used to connect.

Source: COVID-19 executive cyber briefing – Issue 1 6 April 2019

Considerations for executive pay in relation to COVID-19

Companies must consider the impact of business performance on rewards across the organisation

FTSE 350 – % of sector announcing changes to Board pay as of 7th May 2020	
Construction	c.85%
Travel and leisure	c.70%
Banks	c.65%
Media	c.60%
Industrial goods and services	c.55%
Transportation and business services	c.55%
Oil and gas	c.40%
Insurance	c.35%
Technology and Telecoms	c.30%
Real Estate	c.30%
Food, beverages & household goods	c.30%
Retail	c.30%
Chemicals	c.20%
Utilities	c.10%
Financial services (other)	c.10%

As COVID-19 continues to present disruption and uncertainty for global business, over 30% of FTSE 100 and 25% of FTSE 250 companies have announced changes to executive and/or board remuneration to date. This began with sectors experiencing the most immediate impact, but has expanded across the market. While the most common approach is a temporary reduction to salary/fees, more recent announcements have included donation of salary or fees to charitable COVID-19 support funds (typically in banking, real estate and technology & telecoms sectors).

Key factors driving decisions on executive pay continue to be workforce impact (e.g. furlough scheme, pay reductions), shareholder experience (e.g. cancellation or delay of dividends, share price impact), and wider stakeholder consideration. In recent weeks a number of investors and proxy agencies have set out expectations for remuneration committees in considering executive pay in the current environment (see following page).

A number of companies have made announcements following publication of the director's remuneration report (prior to AGM), including increased deferral or payment of cash bonuses in shares, or waiver of any proposed quantum increases in 2020.

For March-July year ends, decisions around pay out-turns are more likely to be assessed during the 2020 AGM season, with investors considering workforce context and shareholder experience, such as the furlough of workers and dividend decisions. Investors are clear that they do not expect to see adjustments to performance targets to reflect COVID-19 impact.

A number of March-July year ends are deferring or waiving bonuses and long-term incentive grants. Where LTI grants are made, consideration is being given to the share price used to calculate the number of shares.

Use of discretion

Remuneration committees will be carefully scrutinising any incentive out-turns at the end of the performance period.

For companies with relative market-based performance metrics (e.g. TSR), committees may consider both actual and relative performance to ensure any out-turns are appropriate.

Considering any unintended impact of taking government business rate/VAT relief on cash-based performance metrics.

In sectors seeing business up-turn during the COVID-19 pandemic, looking to ensure that the underlying business has performed well (e.g. COVID-19 impact alone hasn't driven enhanced performance).

Dividend approach

c.70% of companies announcing pay changes have cancelled or delayed the dividend.

Salary reduction

Typical salary reduction c.20-30% (range 10% - 100%), for a limited period (typically 3-6 months or for the duration of the crisis).

NED fee reduction

c.70% of companies reducing executive director salaries also reduced non-executive director fees.

Earned or FY19/20 bonuses

11 companies have made changes to the approach for earned or FY19/20 bonuses, typically postponed, deferred or paid in shares.

Forward-looking bonuses

21 companies postponed, waived or reduced forward looking bonuses.

LTIP awards

12 companies announced changes to LTIP grants, typically postponing or waiving 2020 grants.

Messages from the investment community

The Investment Association writes to Chairs of FTSE 350 companies

Pre-emption Group Guidelines

In order to help companies raise equity capital in these difficult circumstances, the Pre-Emption Group is recommending that investors, on a case-by-case basis, consider supporting issuances by companies of up to 20% of their issued share capital on a temporary basis, rather than the 5% for general corporate purposes with an additional 5% for specified acquisitions or investments, as set out in the Statement of Principles.

The Statement of Principles already permits companies to request a specific disapplication of pre-emptive rights outside of the normal thresholds, and this process should continue to be respected.

For further details read the full Pre-emption Group statement here.

Source: Investment Association letter to the chairs of FTSE 350 companies

Guidance around the economic circumstances caused by the COVID-19 pandemic

Engagement and communication - Shareholders will support management teams and boards where possible by allowing them to focus on the most business-critical issues to ensure their long-term sustainable future. Companies should look to maintain an open dialogue over the coming months with shareholders and stakeholders to help facilitate this.

AGMs - Shareholders will support companies during the AGM season by focusing on the most material issues facing businesses. Investment managers welcome the Governance Institute and City law firm guidance on how AGMs can proceed under the 'Stay at Home' measures, and encourage firms to consider how they can continue to engage flexibly and effectively with shareholders instead of via normal AGM meetings.

Dividends - Dividends are an important income stream for many savers, pensioners and institutional investors, including pension funds and charities. Shareholders ask companies to take into account the suitability and sustainability of a dividend payment in light of current uncertainties. Shareholders expect companies who do decide to suspend dividend payments to restart them as soon as it is prudent to do so. Ultimately, shareholders expect companies to be transparent about their approach to dividends, particularly if they are seeking additional capital.

Executive pay - As part of shareholders' focus on the long-term success of companies, executive pay should continue to be aligned to company performance. If a company cancels dividend payments or makes significant changes to their workforce's pay, IA members support boards and remuneration committees that demonstrate how this should be reflected in their approach to executive pay.

Financial reporting - Shareholders welcome the FCA's call for companies and auditors to take the necessary time to prepare and audit a company's preliminary results, annual reports and accounts, allowing an additional two months to prepare accounts if needed.

Additional capital - Shareholders will look to support companies seeking additional capital from their shareholders during this time of crisis. Shareholders support the Pre-emption Group Guidelines on pre-emption rights and believes the current regime offers companies necessary flexibility. The industry supports efforts to speed up providing companies with this vital additional capital and welcome the Pre-emption Group's additional flexibility.

Financial Reporting

COVID-19 and its impact on financial reporting

COVID-19 should be taken into consideration when preparing the annual report – at a minimum, detailed descriptions in the management commentary are needed

As the pandemic continues to evolve, it is challenging to predict the full extent and duration of its business and economic impact. Consequently, these circumstances present entities with challenges when preparing annual IFRS consolidated financial statements.

Annual financial reporting issues could relate to, but are not limited to, the following:

- Material judgements & estimates
- Going concern
- Events after the end of the reporting period
- Determining profit or loss
- Alternative performance measures
- Government assistance
- Lease contracts

On the final slide in this section, we also consider the impact on Interim financial reports.

More comprehensive financial reporting guidance is available from **Need to know -** Accounting considerations related to the Coronavirus 2019 Disease

Coronavirus timeline

IN LATE 2019

First cluster of unknown cases were identified in China

31 December 2019

China alerted the World Health Organisation (WHO) of this new virus

30 January 2020

The WHO declared the outbreak a "Public Health Emergency of International Concern"

CURRENT SITUATION

The virus has travelled across the globe, disrupting the global economy, and all industries to varying degrees

Events after the reporting period

It may be challenging for an entity to determine if an event after the end of the reporting period is adjusting or non-adjusting in a global marketplace that is extremely volatile and in which major developments occur daily (e.g. announcements of government stimuli and restrictions) and the stock market's daily reaction to new information.

Although entities may not have all facts "on hand" at the reporting date, once such facts are gathered an assessment must be based on conditions as they existed at the reporting date. The amounts in the financial statements must be adjusted only to reflect subsequent events that provide evidence of conditions that existed at the reporting date.

While for periods ending on or before 31 December 2019, it was generally appropriate to consider that the effects of the COVID-19 pandemic on an entity were the result of events that arose after the reporting date, for example decisions made in response to the COVID-19 pandemic, that may require disclosure in the financial statements, but would not affect the amounts recognised. For subsequent reporting periods, the effects of the COVID-19 pandemic may affect the recognition and measurement of assets and liabilities in the financial statements. This will be highly dependent on the reporting date, the specific circumstances of the entity's operations and the particular events under consideration.

Going concern

As a result of COVID-19 and its associated effects, entities need to consider whether, in their specific circumstances, they have the ability to continue as a going concern for at least, but not limited to, 12 months from the date of authorisation of the financial statements. Management's assessment of the entity's ability to continue as a going concern involves making a judgement, at a particular point in time, about inherently uncertain future outcomes of events or conditions. This will require an entity to consider, among other things:

1) the extent of operational disruption;
2) potential diminished demand for products or services;
3) contractual obligations due or anticipated within one year;
4) potential liquidity and working capital shortfalls; and
5) access to existing sources of capital (e.g., available line of credit, government aid).

In making its going concern assessment, an entity should consider events up to the date of authorisation of the financial statements.

COVID-19 and its impact on financial reporting

Companies need to implement processes to ensure that the impact of COVID-19 is appropriately recognised

Preparation of forecast cash flow estimates

The use of forecast information is pervasive in an entity's assessment of many areas, including the impairment of non-financial assets, expected credit losses, the recoverability of deferred tax assets and the entity's ability to continue as a going concern. Unique complexities associated with preparing forward-looking information as a result of the pandemic and economic downturn include the following:

- There is a much wider range of possible outcomes, resulting in a high degree of uncertainty about the ultimate trajectory of the pandemic and the path and time needed for a return to a "steady state."
- The associated economic impact of the pandemic is highly dependent on variables that are difficult to predict.
- Each entity must translate the effect of those macro conditions into estimates of its own future cash flows.

Nevertheless, entities will need to do their best to make reasonable estimates, prepare comprehensive documentation supporting the basis for such estimates and provide robust disclosure of the significant judgements exercised, the key assumptions used and, where relevant, their sensitivity to change.

Material judgements & estimates

As a result of the uncertainty associated with the unprecedented nature of the COVID-19 pandemic, entities are likely to face challenges related to selecting appropriate assumptions and developing reliable estimates. Nevertheless, they will still be required by IFRS Standards to develop estimates that underlie various accounting conclusions. To develop estimates, entities will need to consider all available information as well as whether they have met all applicable disclosure requirements, including those in IAS 1 *Presentation of Financial Statements*.

A number of assumptions or estimates may be required for more than one purpose (e.g. forecast revenues may be relevant to impairment tests and recognition of deferred tax assets). Consistent assumptions should be used for all relevant assessments.

When reporting in uncertain times, it is particularly important to provide users of the financial statements with appropriate insight into the entity's resilience in the face of the current uncertainty and to understand the key assumptions and judgements made when preparing financial information.

Relevant judgements and assumptions might include the:

- availability and extent of support through government support measures that have been announced;
- availability, extent and timing of sources of cash, including compliance with banking covenants or reliance on those covenants being waived;
- duration of social distancing measures and their potential impacts.

There is not a single view on how the COVID-19 pandemic will evolve and its impact on the economy. This lack of consistency makes the need for full disclosure of judgements, assumptions and sensitive estimates significantly more important than usual.

The disclosure provided about the key assumptions, including the sensitivity analysis based on a range of reasonably possible outcomes, should reflect the conditions at the reporting date. When key assumptions, or the range of reasonably possible changes to those assumptions, are affected significantly as a result of non-adjusting events after the reporting date, information about those changes, including an estimate of the financial effect, should be provided separately.

Statement of profit or loss and the use of alternative performance measures

The impact of COVID-19 may give rise to material expense or income items for many entities, for example restructuring provisions and impairment losses related to non-financial assets. When it is practicable to identify specifically and quantify such discrete items, they should be disclosed separately either in the statement of profit or loss and other comprehensive income or in the notes to the financial statements, with appropriate explanation of those amounts.

Caution should be used when excluding certain items from "operating profit" or from 'underlying' results if such measures are presented. Many of the impacts of COVID-19 on an entity are likely to form part of the entity's normal activities and thus should be considered to form part of the underlying business performance and should not be excluded

ESMA has issued a new Q&A on alternative performance measures in the context of COVID-19. Rather than adjusting existing APMs or including new APMs, ESMA urges entities to improve their disclosure and include narrative information in their communication documents. Further, ESMA notes that caution should be used when making adjustments to APMs solely to depict the impacts that COVID-19 may have on an entity's performance and cash flows.

COVID-19 and its impact on financial reporting

Companies need to implement processes to ensure that the impact of COVID-19 is appropriately recognised

Lease contracts

On 24 April 2020, the IASB Board published Covid-19-Related Rent Concessions (Proposed amendment to IFRS 16), an exposure draft (ED) which proposes to add a practical expedient which would allow a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification.

A lessee that makes this election would account for any change in lease payments resulting from the COVID-19-related rent concession in the same way that it would account for the change applying IFRS 16 if it were not a lease modification. The practical expedient would apply only to rent concessions occurring as a direct consequence of COVID-19 meeting specified conditions.

The ED does not propose any changes to lessor accounting.

The proposed amendment would be effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. The IASB voted to approve this amendment on 15 May 2020 and the final amendment is due to be issued by the end of May, and will then be subject to EU endorsement.

Further information is available here.

Government assistance

IAS 20 prescribes accounting for, and disclosure of, government grants and other forms of government assistance. The effect of a government grant in the scope of IAS 20 is recognised when, and only when, there is reasonable assurance that the entity will comply with the conditions attaching to it and that the grant will be received. A grant related to income (e.g. reimbursement of employment costs) is recognised as part of profit or loss either, as an accounting policy choice:

- Separately or under a general heading such as 'other income'; or
- As a deduction in reporting the related expense.

A grant related to the acquisition of an asset is recognised in the statement of financial position either, as an accounting policy choice:

- Recognising the grant as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the asset; or
- Deducting the grant in calculating the carrying amount of the asset, in which case the grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation expense.

Governments may be providing support to entities through programmes that do not result in recognition of income in the financial statements of participating entities. For example, certain governments are offering short-term debt facilities, sometimes in the form of commercial paper, to support liquidity of entities that were financially sound before the COVID-19 pandemic. Eligibility to the programme may be restricted to entities meeting certain criteria such as size or a pre-COVID-19 credit rating of investment grade. To the extent that the interest rate paid by the borrower and other terms of the debt instruments reflect market conditions, the borrowing does not include a "government grant" that requires recognition in the financial statements. Nevertheless, such support is considered government assistance under IAS 20. Entities will need to consider if the significance of the benefit received is such that disclosure of the nature, extent and duration of the assistance is necessary in order to avoid the financial statements from being misleading.

Government funding – some of the UK schemes

Coronavirus Job Retention Scheme – payroll support for all firms and enterprises in the UK

Future funding – convertible loans, with matched Government funding (up to £250m in aggregate to be matched by funding from the private sector) for innovative companies

COVID Corporate Financing Facility – support for liquidity amongst large firms

Coronavirus Business Interruption Loan Schemes – large and small business financial support

Bounce Back loan scheme – loan scheme for small and medium sized businesses backed by a 100% Government guarantee

Rates relief – a 100% business rates discount for all retail, leisure and hospitality venues with no limit to Rateable Values

Deferral of VAT – VAT payments due from businesses between 20 March 2020 and the end of June 2020 will be deferred

Source: UK Government funding response to COVID-19

COVID-19 and its impact on interim financial reports

The overarching objective in IAS 34 is that the interim financial report should provide an explanation and an update to the relevant information included in the annual financial statements

Going concern

Management will need to consider the extent to which the disruption of operations as a result of the COVID-19 pandemic, and any other events or circumstances that affect the entity, give rise to material uncertainties that cast a significant doubt on the entity's ability to continue as a going concern for a period of at least 12 months from the date the interim financial report is authorised for issue.

In making this assessment, management will need to take into account all information available up to the date of authorisation of the interim financial report.

Recognition and measurement

The principles for recognising assets, liabilities, income and expense for interim periods are the same as in annual financial statements. IAS 34:41 requires that measurement procedures used in interim financial reports produce information that is reliable, with all material relevant financial information being appropriately disclosed.

Disclosures

Significant events and transactions resulting from the COVID-19 pandemic that may warrant disclosure include:

- Government grants
- Write-down of inventories to net realisable value
- Recognition of a loss from the impairment of financial assets, property, plant and equipment, right-of-use assets, intangible assets, contract assets, or other assets
- Disposal of property, plant and equipment
- Changes in the fair value of investment properties
- Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities (regardless of whether they are recognised at fair value or amortised cost)
- Any default or breach of a loan agreement that has not been remedied on, or before, the end of the interim reporting period
- Changes in the classification of financial assets as a result of a change in the purpose or use of those assets
- Employee termination costs
- Recognition of onerous contracts
- Change in contingent liabilities or assets

In addition, IAS 34 requires the disclosures of specific information, including:

- Nature and amount of changes in estimates of amounts previously reported
- Nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence
- Issues, repurchases and repayments of debt and securities
- Events after the interim period that have not been reflected in the financial statements of the interim period
- Effects of changes in the composition of the entity during the interim period, including losing control of subsidiaries, restructuring and discontinued operations
- Specific information about the fair value of financial instruments required by IFRS 13 Fair Value Measurement and IFRS 7

Accounting for income taxes

As the entities make adjustments to forecast income to reflect the COVID 19 impact on their operations and their expectations of the recovery period, these adjustments will need to be factored into an entity's estimated annual effective tax rate for interim reporting purposes under IAS 34. Furthermore, as companies put measures in place to respond to the challenges of the volatile and uncertain business environment these estimates of cash flows are likely to be revised more frequently and with that amounts accrued for income tax expense in one interim period may also need to be adjusted in a subsequent interim period if the estimate of the annual income tax rate changes. The estimated average annual income tax rate would be re-estimated on a year-to-date basis.

Events after the end of the reporting period

Each significant event should be assessed to determine whether it provides evidence of conditions that existed at the end of the interim reporting period or whether it reflects a change in conditions after the end of the interim reporting period.

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The Deloitte Academy

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