



5 May 2020

Hon Scott Morrison MP
Prime Minister
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

Email: dlo@pm.gov.au

Dear Prime Minister,

Financial reporting and COVID-19

We recognize and support the efforts of your government to contain the pandemic, save lives and to protect livelihoods.

As well, we very much appreciate the ongoing dialogue with your government and wish you success in tackling the continued challenges.

To this end, Australia's professional accountants stand ready to play our role in building a bridge through this crisis, and in the recovery on the other side. In particular, we would like to identify the three major matters that the profession considers necessary to deal with, if we are to provide the necessary "trust" to business and the community in dealing with the consequences of COVID-19.

1. Maintaining financial reporting and auditing standards

Our current internationally consistent financial reporting and auditing standards are vital to the capital markets, economy and Australia's standing. Markets and citizens need even more confidence in the robustness of financial reporting in times of crisis, and the regulation of those markets by the responsible government agencies.

In responding to the consequences of COVID-19 it must be made clear that the existing set of standards remain fit for purpose.

To this end we will continue to work with the profession, regulators and standard setters to address specific instances as this develops, where clarity or guidance is required.

Financial reports are based on numerous judgements about future events which take on a renewed importance but also difficulty in current circumstances. For instance, assessing whether businesses can continue as a going concern, and the value of assets. All those in the financial reporting chain should apply best efforts in coming to these judgements. It is incumbent on companies and directors to elaborate on relevant risks and assumptions and for auditors to carefully evaluate the sufficiency of these disclosures.

2. Address the risk of opportunistic class actions

Currently it is our view that commercially funded litigation in Australia has a very low bar. We recommend that the government continues to examine and respond to the risks and potential impacts of such litigation.

The facts are, financial reports need to be read in the context of substantial uncertainty and fast shifting economic and business conditions. Provided all due diligence in reaching financial reporting judgements is applied, we would support measures aimed at ensuring associated liability takes account of this context, particularly with regard to opportunistic litigation which seeks to take advantage of the low bar for class actions in Australia.

3. Continued engagement on key financial reporting and auditing matters

In addition to the above two issues the profession anticipates that a series of issues will continue to emerge as a consequence of COVID-19. In our view these matters fall into four areas where the sector stands ready to assist the government to respond appropriately as these issues unfold. These key matters include the following:

- Where lodgment date deferral or streamlined processes for requesting deferral are necessary and appropriate;
- Clarifying financial reporting and auditing impacts of recent policy announcements responding to COVID-19;
- Developing guidance for directors, auditors and other professionals and connecting with the international profession;
- Regulatory activities during and following the current crisis.

To this end, we commend the swift and ongoing efforts of government agencies to work with the profession and address current challenges in financial reporting and audit, particularly Treasury and the Financial Reporting Council, the Australian Securities and Investments Commission, Australian Charities and Not for Profits Commission, and the Australian Accounting/Auditing and Assurance Standards Boards.

Conclusion

As businesses and the economy face uncertainty and stress, this letter has sought to focus on the critical role of high-quality financial reporting and auditing to inform investors and stakeholders and bring critical integrity and confidence during these times.

Professional accountants are already demonstrating their commitment to innovate, overcome the obstacles and deliver, despite the unprecedented challenges. New ways of working, novel approaches to existing and unprecedented problems, close engagement and sharing solutions have characterised the past weeks and outlook for the months ahead.

Clear, reliable reporting on the financial position, performance, cashflows, risks and prospects of companies is more important than ever in the current environment; both as we seek a bridge through the crisis, and to underpin a robust recovery on the other side.

Should you have any queries, please don't hesitate to contact Amir Ghandar, Leader, Reporting and Assurance at amir.ghandar@charteredaccountantsanz.com.

Yours faithfully



Simon Grant FCA
Group Executive, Advocacy
and Professional Standing



Amir Ghandar FCA
Leader, Reporting and Assurance

Cc: Bill Edge – Chair, Financial Reporting Council
Charlotte Tressler – Coronavirus Business Liaison Unit, The Treasury
Chris Reside – Adviser, Office of the Treasurer

Appendix

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 125,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live. Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations. We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.