

Covid 19 Impact

Reporting Compliances, Changes in Control Environment and Risk Assessment

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Regulatory and Governance Perspective

- Responsibility of the Audit Committee to appraise the Board
- Responsibility of the Board to assess the impact and take cognisance
- Responsibility of the Independent Directors to satisfy themselves that financial controls and the systems of risk management are robust
- Requirement of Statutory Auditors to satisfy themselves that effective operational and financial controls and compliance of standard operating procedures exist



Management Disclosure and Analysis

- Entities to disclose any known trends or uncertainties impacting revenues
- Entities to disclose current and potential future impact on their operations, financial condition, or liquidity
- Such disclosures could provide:
 - (1) early-warning signals to investors that revenue growth or profit margins may not be sustainable
 - (2) information about when and under what conditions impairments may be incurred in the future
 - (3) measures to counter the impact of such force majeure events
- To prepare review and disclose business strategy for revival during recession



Disclosure to Financial Statements

- If issues materially affect entities' accounts, to provide subsequent events disclosures related to the potential impact
- Impact assessment and disclosures with comparables
- In determining the nature and extent of the disclosures needed, entities need to consider potential issues such as:
 - Closure of operations
 - Loss of customers or customer orders
 - Supply chain interruptions
 - Production delays or limitations
 - The impact on human resources
 - Regulatory changes
 - The risk of loss on significant contracts



Internal Financial Control Considerations and Risk Assessment

- Entities may need to implement new alternate procedures and internal controls or modify existing ones
- Any changes in internal controls that have materially affected, or are reasonably likely to materially affect, entities' internal control over financial reporting must be disclosed
- Entities will need to consider and evaluate the operating effectiveness of controls, including assessing any breakdown in review type controls or the inability of individuals to perform control duties because of absences and remote management
- Entities should also consider how a lack of information may affect management's ability to effectively operate controls
- If an existing control cannot be performed, management may need to identify alternative appropriately designed controls to compensate for the lack of information
- Risk assessment, current and potential impact sectorwise



Internal Financial Control Considerations and Risk Assessment

Emerging Areas of Concern and Risks:

- Health, safety, environment
- Operational disturbances
- Human resources
- Demand (revenue, contract fulfilment & non compliance)
- Supply chain (just-in-time inventory model, impairment)
- Legal obligations (Force Majeure, contract terminations)
- Credit risks
- Working capital requirements and indebtedness(cash flow management, debt servicing, liquidity, debt covenants)
- Cybersecurity (working from home, shut down of security monitoring centres)
- Social responsibility – non financial reporting matters
- Statutory compliances



Compliances of Accounting Standards (IND AS OR AS)

- Inventory Measurement
- Impairment of Non-Financial Assets
- Provisions, Contingent Liabilities and Contingent Assets
- Going Concern Assessment
- Property, Plant and Equipment
- Presentation of Financial Statements
- Borrowing Costs
- Financial Instruments
 - Impairment Losses
 - Fair Value Measurement
 - Hedge Accounting
- Leases
- Revenue
- Modifications or Termination of Contracts or Arrangements
- Income Taxes
- Consolidated Financial Statements





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