KPMG

Audit Committee Magazine

June 2020

Background

Recognising the increasing importance of governance issues, the Audit Committee Institute Ireland (ACI) was established to serve both audit committee members and non-executive directors to help them to adapt to their changing roles.

Historically, those charged with governance responsibilities have largely been left on their own to keep pace with rapidly changing information relating to governance, remuneration, audit issues, accounting and financial reporting. Supported by KPMG, the ACI provides knowledge to non-executive directors and a resource to which they can turn at any time for information, or to share knowledge.

Our primary objective is to communicate with all senior business people to enhance their awareness and ability to implement effective board processes.

The ACI aims to serve as a useful, informative resource for members in such key areas as:

- Governance, technical and regulatory issues
- Sounding board for enhancing all board committees' processes and policies
- Surveys of trends and concerns.

The ACI is in direct contact with over 1,100 members. For more information on the activities of the ACI, please visit our website at: **www.kpmg.ie/aci.**

Contents

Welcome

Welcome to the latest edition of *Audit Committee Magazine*, a publication designed to help keep audit committee members and non-executive directors abreast of developments in areas of corporate governance and related matters.

The key topics covered in this issue include:

- ISA 570 (Ireland) Going Concern (Revised) – what does it mean for Audit Committee members?
- Sustainable Finance – an overview of the current regulatory landscape
- COVID-19 | Privacy - Restoring privacy compliance
- Local regulatory update
- Financial reporting update

I hope you will continue to enjoy the ongoing benefits of ACI. Please contact us at aci@kpmg.ie with any comments or suggestions of topics you would like to see covered and visit our website www.kpmg.ie/aci for further information.

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ISA 570 (Ireland) Going Concern (Revised):

What does it mean for Audit Committee members?

Going concern assessments are becoming a lot more complex. The impact of COVID-19 has resulted in events or conditions that may cast doubt over an entity's ability to continue as a going concern, including whether there is current and future economic uncertainty for the entity as a result of the crisis, how long it will last and what will the lasting impact be.

Separately over the past number of years, the UK government has commissioned several very significant reports on audit quality and the importance of appropriate regulation within the sector. Taking the findings of these reports, in addition to the examples of audit weakness that the Financial Reporting Council ("FRC") in the UK have seen through their inspection and enforcement work. The FRC believed that a revision of the International Standards on Auditing ("ISAs") UK was required. The most noteworthy of these revised standards is ISA (UK) 570 Going Concern (Revised). The standard sets out significant changes from the previous standard. The Irish Auditing and Accounting Supervisory Authority's (IAASA) stated policy, with respect to standard setting in the Republic of Ireland is to follow the FRC standards, with amendments where there is a conflict with Irish or EU law. As such, IAASA have released their own revised going concern standard, based largely on the FRC's version – ISA 570 (Ireland) Going Concern (Revised) ("the standard") which is effective for statutory audits of Irish entities, like the FRC's version, for periods commencing on or after 15 December 2019.

Combining the effects of both COVID-19 and the new standard, it is now more important than ever that the going concern assumption is at the forefront of Audit Committee discussions.

While the standard addresses the auditor's responsibility in the audit of the financial statements relating to going concern, it also includes the responsibility for the Directors for the assessment of the entity's ability to continue as a going concern and what the Directors will be expected to provide to the auditor to support this assessment. Therefore, audit committees will need to understand the new requirements included in the standard to assist them in carrying out their role on the audit committee and should seek any information it requires to be kept properly informed and to carry out its oversight functions.

The responsibility for making the going concern assessment of an entity has, and always will, rest with the Directors. As part of their assessment, the Directors determine if there are any material uncertainties relating to events or conditions that might cast significant doubt upon the continuing use of the going concern basis of accounting in future periods.

Assumptions underpinning these projections should be critically assessed to incorporate the impact of COVID-19. This may include the expected impact arising from restrictions on operations, supply chain disruption and customer demand. In addition, the Directors need to be prepared for increased scrutiny and challenge from the entity's auditor in respect of their assessment of going concern which may result in more work for the Directors of an entity when making and supporting their going concern assessment.

The auditor's assessment:

- As part of the auditor's risk assessment procedures, the auditor will design procedures that actively look for matters or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- The auditor will require from the Directors adequate support for methods, assumptions and sources of data used in the going concern analysis, including how the impact of COVID-19 has been incorporated.
- The auditor will need to evaluate how the Directors have determined the relevance and accuracy of the method and data used and understand whether alternative methods, assumptions and data have been considered.
- The auditor will be expected to probe and challenge the Directors when audit evidence obtained suggests there may be bias or contradictory evidence included in the assessment.

- The auditor may perform a retrospective review of previous outcomes and forecasts to assist them in measuring the effectiveness of the Directors' process for assessing going concern.

The Director's assessment

When the Directors have not performed their going concern assessment, the auditor will request that the Directors perform and provide them with the assessment. If the Directors cannot or will not make an assessment, the auditor will need to consider whether there is a significant deficiency in the entity's internal control system. The inability or unwillingness to prepare a going concern assessment will result in a limitation of scope on the evidence available to the auditor. This limitation is likely to result in a qualified opinion in the auditor's report. The Directors and audit committee of smaller companies or companies who may not previously have performed or provided the auditor with such a detailed assessment on going concern will need to consider what additional steps they need to put in place to address this.

The audit committees review and challenge of the going concern assessment will also be important as the auditor will need to understand the nature and extent of oversight and governance that the entity has in place over its going concern assessment. The auditor will expect the audit committee to possess the skills and knowledge to understand the methods, evaluate the assumptions used and the authority to appropriately challenge these methods and assumptions. Entities will need to consider whether changes to their systems of internal control are required and whether these changes will inevitably lead to increased costs for entities when making their going concern assessment perhaps disproportionally on smaller entities.

Events or conditions not identified by the Directors

If the auditor identifies events or conditions that may cast doubt on the going concern assessment that the Directors have not identified, the auditor must understand why the relevant events or conditions were not identified, determine whether there is a significant deficiency in internal controls and perform additional audit procedures regarding the newly identified events and conditions.

Audit report implications

Audit committees can expect to see a change in the auditor's report with respect to reporting on going concern. The auditor previously reported by exception as to whether the Directors use of the going concern basis of accounting was appropriate and whether appropriate disclosures were made. Going forward, the auditor must carry out a process of independent testing and examination on the entity's assessment of its future prospects and conclude based on sufficient and appropriate audit evidence. When the going concern basis is appropriate, the auditor's report will include a conclusion that the auditor has not identified, either individually or collectively, any events or conditions that result in a material uncertainty that may cast doubt over the entity's ability to continue as a going concern and that the Directors use of the going concern basis of accounting is appropriate.

In addition, for public interest entities, UK Corporate Governance Code adopters and certain other entities, there are additional disclosures that the auditor must make in the auditor's report, over and above those previously required that include an explanation of how the auditor has evaluated the Directors' assessment of the entity's ability to continue as a going concern and, where relevant, key observations arising with respect to that evaluation.

Conclusion

The COVID-19 pandemic is the defining global health crisis of our time and greatest challenge that most organisations have faced with liquidity being the key short-term consideration. However longer-term assessments and how the new normal will look for the entity once this crisis has abated must also be considered and included in the going concern assessment.

Society wants and expects more from all stakeholders in the audit process, particularly in relation to the future prospect of entities. The requirements of the new audit standards, some of which may already have been undertaken by audit committees should now be considered by all audit committees. The intention of the standard is not to create a checklist for the Directors or the auditors to tick off, rather it is to ensure that the Directors and the auditors focus on the prospects of the entity and consider all available information.

The combined impact of COVID-19 and the new standard will put the Directors' assessment of the entity's ability to continue as a going concern under increased scrutiny and challenge by auditors. It will also bring, in some cases, significant additional cost and effort required for the Directors, audit committees and their auditors. However, if the new standard can provide the earlier warning signs in relation to corporate distress that it is envisioned to, this can only be of benefit to society.

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Sustainable Finance

– an overview of the current regulatory landscape

For those readers unfamiliar with the sustainable finance agenda and the discussions currently underway in the European Commission ("the EC"), this briefing is intended to give you a high-level view of the forthcoming package of legislation from the European Commission's Action Plan on Sustainable Finance ("the Action Plan"), write Conor Holland and Caroline Pope of KPMG.

Although ostensibly relevant to the capital markets and institutions operating within that environment, there is a need for corporates to understand these developments as they will define how you raise and access finance in the near term and ultimately your longer term relationships with investors.

First, a recap on what is meant by Sustainable Finance:

"Sustainable finance generally refers to the process of taking due account of **environmental, social** and **governance** ("**ESG**") considerations when making investment decisions, leading to increased investment in long term and sustainable activities". (Click here for source)

Before getting into the details, it is important to set the scene to understand the context in which this package of legislation is being developed. In December 2019 the EC presented The European Green Deal ("**the Green Deal**") – a roadmap for making the EU's economy sustainable by turning climate and environmental challenges into opportunities across all policy areas and making the transition just and inclusive for all. The Action Plan is a work stream aimed at supporting the Green Deal (although it's formation pre-dates the Green Deal) by channelling private investment towards the transition.

During its formation the Action Plan identified three core sustainable finance objectives:

1. Reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;
2. Manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and
3. Foster transparency and long-termism in financial and economic activity.

These three objectives and the resulting package of measures aim to address some of the key challenges with the sustainability agenda:

- No common definition of "sustainable investment";
- Risk of "greenwashing" of investment products;
- Banks and insurers often give insufficient consideration to
- climate and environmental risks;
- Investors often disregard sustainability factors or underestimate their impact; and
- Too little information on corporate sustainability-related activities.

What are the key aspects of the Action Plan for Sustainable Finance?

The Action Plan includes core legislative proposals and comprises the following key recommendations:

1. Establish and maintain a sustainable taxonomy (classification system) at EU level and develop EU sustainability standards and labels;
2. Foster transparency and long-termism within economic activity;
3. Develop an EU green bond standard; and
4. Develop benchmarks for low-carbon investment strategies.

How will the Action Plan impact financial market participants?

1. Taxonomy Regulation

Perhaps the most ambitious and heavily debated element of the Action Plan is the Taxonomy Regulation. This provides the bedrock for a unified EU "green" classification system of economic activities. Importantly, it is a key development which will prevent financial market participants ("**FMPs**") from "greenwashing" investment products and designate investments as environmentally sustainable. In order to do this, FMPs must comply with the taxonomy technical screening criteria which is due to be legislated through delegated acts between July 2020 through to December 2022. Furthermore, the taxonomy is intended to enable investors to identify the proportion of their investment holdings in entities carrying out environmentally sustainable economic activities as a percentage of all economic activities.

For an investment to be considered environmentally sustainable, the screening criteria will measure the degree of environmental impact and sustainability of the economic activities underpinning the investment. This is the most salient aspect of the Action Plan, which supports the EC's core objective to channel investments into sustainable activities.

In order to be considered "environmentally sustainable" an economic activity will be required to meet the following criteria:

"It must "contribute substantially" (as described in detail in the draft legislation) to one or more of the following six objectives and must not "significantly harm" to any of them:

- Climate change mitigation
- Climate change adaption
- Sustainable use and protection of water and marine resources
- Transition to a circular economy, including waste prevention and recycling and increasing the uptake of secondary raw materials
- Pollution prevention and control
- Protection of biodiversity and healthy ecosystems, and restoration of degraded ecosystems"

2. Disclosure Regulation

The Disclosures Regulation is intended to ensure that FMPs and financial advisers systematically consider and integrate sustainability risks and adverse sustainability impacts in their processes. Moreover, it ensures that investors are provided with sustainability-related information on the financial products they offer or advise on. The nature, extent and exact location of these disclosures remains subject to public consultation. However, for clarity, there will be an elevated level of disclosure requirements for investment vehicles expressly focused on ESG ("**green funds**".) For all other FMPs, websites and contractual documents with potential investors will need – at a minimum – to include detail on their sustainability policies. This includes how such policies interact with investment due diligence decisions.

In tandem with the requirements of the Disclosures Regulation, it is the EC's intention to clarify through amendments to existing legislation under the UCITS, AIFMD and MiFID regimes, how asset managers, investment advisors and others should integrate climate risks. Where relevant, other sustainability factors in the areas of organisational requirements, operating conditions, risk management and target market assessment should be integrated. In this regard, ESMA has issued technical advice regarding the integration of sustainability risks and factors in the UCITS Directive, and has proposed a principles-based approach. This applies the proportionality principle for the proposed new rules. The necessary amendments to the relevant legislation for UCITS and AIFs have not yet been finalised by the EC.

3. Benchmark Regulation

The proposed amendments to the existing Benchmarks' Regulation will create a new category of benchmarks comprising low-carbon or "decarbonised" versions of standard indices and positive carbon impact benchmarks. Benchmarks' providers will be required to disclose how their methodology takes into account ESG factors. However, the ESG disclosure requirements will not apply solely to these new benchmarks. As of 31 December 2021, all benchmarks, except for interest rate and currency benchmarks should include information as to the degree to which they align with the Paris Climate Agreement.

How will the Action Plan impact EU Public Interest Companies?

While the Action Plan will predominantly impact the FMPs, there is a direct relationship between the integrity of sustainability metrics provided by the FMPs and what is disclosed by companies.

The EC has identified that non-financial information currently disclosed by companies does not meet the needs of investors. Specifically, the EC considers that disclosed information does not adequately detail how non-financial issues impact companies and how companies themselves impact society and the environment. In this regard, in December 2019, as part of the European Green Deal, the European Commission committed to reviewing the Non-Financial Reporting Directive 2014/95/EU ("**the NFRD**")

Some of the concerns the EC identified included:

- Reported information is not sufficiently comparable or reliable;
- Companies do not report all non-financial information that users think is necessary;
- Some companies do not report this information at all;
- It is hard for investors and others to find non-financial information even when it is reported; and
- Companies face uncertainty and complexity when deciding what non-financial information to report, and how and where to report that information.

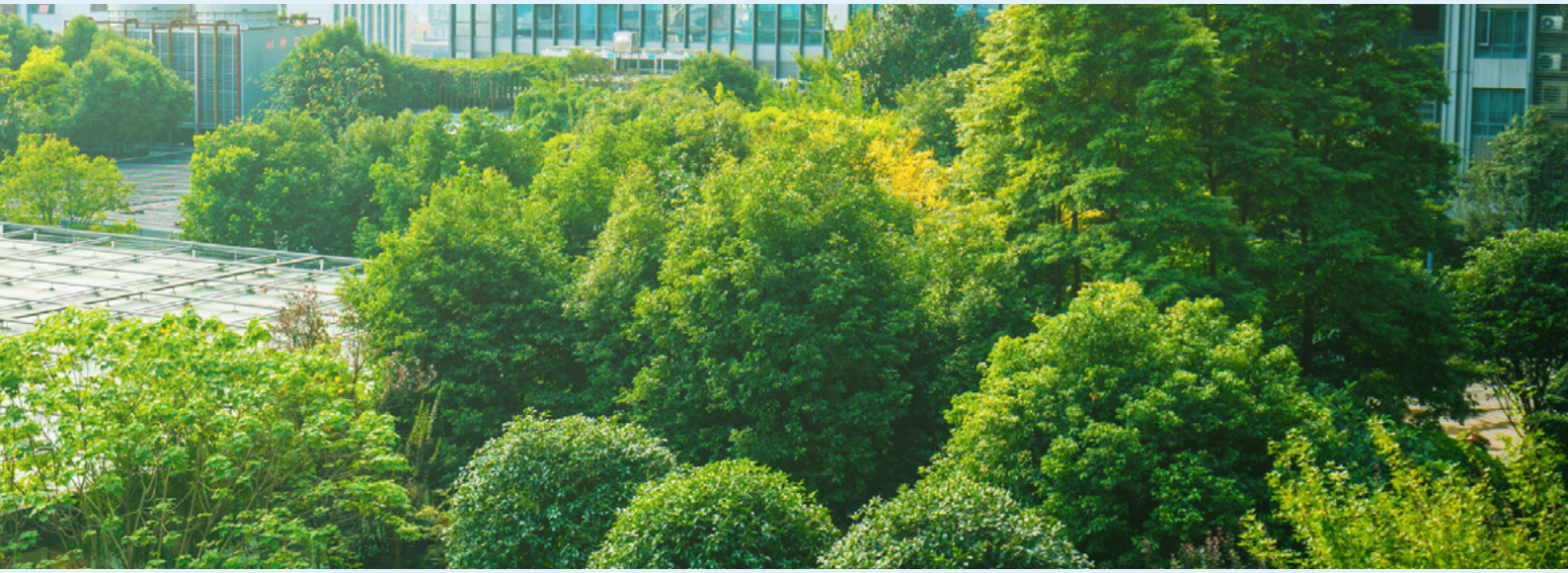
As such, the EC is seeking to enhance the existing NFRD framework so that corporates and other issuers under the NFRD provide reliable, comparable and relevant non-financial information.

On 30 January 2020, the EC published an initial roadmap for consultation on possible changes to the NFRD. Since its release the EC has indicated its intention to revise and strengthen the NFRD owing to concerns that the current system of voluntary guidance is not effective in responding to the non-financial information needs of the investment community. As such, an update is likely to result in:

1. Requiring some or all of the companies under the scope of the NFRD to use a non-financial reporting standard;
2. Modifying the scope of the NFRD (to add certain categories of company not currently covered and/or to exclude certain categories of company that are currently covered);
3. Strengthening the provisions regarding the assurance of non-financial information;
4. Strengthening the enforcement and supervision of non-financial reporting requirements; and
5. Clarifying where the non-financial information should be reported.

In February 2020, the Commission published a second, more detailed consultation, on changes to the NFRD, which closes on 14 May.

The EC has also noted its intention to develop an EU-wide non-financial information standard to support the consistency and integrity of non-financial disclosures. In this regard, the EC has requested the European Financial Reporting Advisory Group ("**EFRAG**") to begin preparatory work for those standards as quickly as possible. For context, they have noted their intention to leverage off the "best and most widely accepted elements" of existing international non-financial/ESG reporting standards such as GRI, SASB, TCFD as their starting point. The second NFRD consultation seeks views on which elements of these existing standards should be incorporated into an EU standard.



Closing comments and Boardroom Questions

Sustainable Finance is increasingly becoming a mainstream operational and strategic imperative for companies. Furthermore, it has been identified as a lever for change post Covid-19, which underscores some of the subtle links and risks associated with human activity, climate change, and biodiversity loss, as well as the subsequently critical need to strengthen the sustainability and resilience of our societies and economies.

This thesis is supported by economic data - sustainable businesses enjoyed a higher degree of investor confidence before the economic shut-down and seem to continue to enjoy a higher degree of investor confidence as the shut-down continues. Figures published by Funds Europe suggest that values of European sustainable funds dropped by 10.6%, compared with the "overall European fund universe" which declined by 16.2%.

Robeco, the global asset manager has also found a positive relationship between lower credit risk and sector alignment with sustainability. The RobecoSAM Global SDG Credits strategy outperformed the Bloomberg Barclays Global Aggregate Corporate Index by +90 basis points in March of this year.

The financial sector will increasingly play a major role in promoting sustainability and sustainable management. While the regulatory developments outlined in this article are yet to be fully implemented into law, companies should start preparing now for the inevitably changing landscape.

We set out below some **boardroom questions** which we hope will challenge current thinking on sustainable finance and prompt your business to better comprehend and prepare for the imminent tide of sustainable regulation:

- How do your investors perceive social and environmental issues?
- Do you have confidence in the data being reported, and that it responds to investor concerns?
- Have you undertaken a 'readiness assessment' for the incoming EU regulatory reform?
- Are you ready to respond to tougher customer demands to be more socially responsible and environmentally friendly?
- Do you have ESG controls integrated in our corporate governance structure?
- How can you business grow and simultaneously reduce its carbon footprint?
- Are you investing in the innovation of greener products and services to respond to market needs?
- Is your current level of sustainability reporting sufficient and robust?
- Is your organisation's reputation at risk for not meeting our customers' expectations regarding social and environmental performance?
- How would your facilities and supply chain be affected by environmental impacts like extreme weather, water scarcity, etc.?

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COVID-19 | Privacy

Restoring privacy compliance

The COVID-19 pandemic has required businesses to rapidly adapt their working models, sometimes at the cost of privacy rights. What practical steps can you take to address the deficit and restore privacy compliance?

The second line risk and compliance function has taken a double hit from the pandemic. Businesses have expedited the approval of new technologies and processes to cope with the new working model, leaving privacy compliance as an afterthought.

Also, the pandemic has made the job of embedding, monitoring and enforcing privacy controls much harder, both at a technical and a governance level.

As employees get used to remote working, businesses now have a moment to breathe and take a step back and think more strategically. With the second line looped back into discussions, how can you assess and remediate the privacy compliance gap?

Start with governance

- How is the privacy office managing with remote working? Ensure that your team has access to the right collaboration tools and technologies to communicate and work more efficiently.
- Establish how you can support resilience efforts by working flexibly with the business — they're under strain, and they need an agile and supportive second line team to deliver continuity of services, and manage under financial pressure.
- Consider employee working arrangements — do they have children to look after and need to work new hours? Do they have privacy in their homes to discuss and process data or sensitive complaints?
- Arrange for staff to be able to fulfill data subject access rights — are requests still being processed on time and in line with legal requirements?
- Review organizational policies and standards in light of new working models and customer service arrangements.
- Keep an eye out for guidance from regulators, and ensure regulatory interactions are still being tracked and managed consistently during this time. Ensure you have strong communication lines with your legal team, and access to legal services.
- Re-embed privacy by design by considering how to remotely re-perform impact assessments for both new and old technologies and processes that have seen changes to data flows and ways of working.
- Make adjustments to external and internal audit schedules and privacy audits as required — make sure to document assessment capability gaps and keep relevant boards and committees informed regularly.
- Adjust your compliance metrics and KPI reporting to new remote working practices — are any of them dependent on physically being in the office, e.g. clear desk reviews?
- Monitor the effect COVID-19 has had on resource availability and the ability to operate critical privacy processes in every department. How are HR and IT coping with demand — what have they had to drop?

Make sure you're communicating

- Adapt communications and awareness campaigns to fit the new way of working.
- Make employees aware of their privacy obligations when working remotely, especially those handling sensitive data, e.g. in call centers.
- Ensure employees, who may be required to handle data for the pandemic period, have access to relevant training guides and materials to perform their roles.

Look after your employees and customer rights

- Review employee monitoring processes and data collection for staff risk metrics. How should they be adapted — are they still fair, adequate and transparent?
- Identify employees on international and cross-border transfers and verify the handling of their information complies with local regulations. For employees stranded or working from overseas, ensure their access to data is policy compliant.
- What measures have been put in place to confirm employees can establish a clear work-life balance — is there respect for privacy in current ways of working?
- Be transparent with customers over any changes in the way their data is processed for the sake of

business continuity and update relevant external privacy notices.

- Manage employee health data and testing processes, so they comply with regulation.

Work with your technology and security teams

- Ensure your security team is monitoring the implementation of security and privacy controls in the builds of any new assets acquired to support remote working, e.g. newly acquired laptops and conferencing collaboration solutions.
- Keep an eye on the security compliance deficit too — what workarounds do they have to address? Are staff using their own devices to access work data? Is this being managed in line with BYOD policies?
- Work with IT to understand how their data monitoring controls have been affected. What are they struggling to do, and how can you mitigate risks?
- Your development teams may have been under pressure to roll out applications that support customers. Have they been able to embed privacy controls and data loss prevention controls effectively, and can you retroactively assess their privacy controls and implement any changes required?

Third party oversight

- Verify that emergency contractors or suppliers onboarded to support COVID-19 have undergone privacy due diligence. Are they still able to provide relevant information? Can you conduct assessments remotely?
- Are changes to ways of working reflected in contractual privacy clauses (i.e. update data flow arrangements and security safeguards). Is any data flowing internationally?
- Has your third party supply chain privacy risk been heightened due to the loss of suppliers. Do you need to use alternative providers?

Monitor your data assets and lifecycle

- Review data flow diagrams and make any changes to where data is stored, accessed in new locations or used in different ways. Also, record changes in your data inventories and privacy notices.
- Make certain employees have the proper equipment to manage personal data and privacy from their homes (i.e. shredders, scanners).
- Verify that governance and records management policies take into account the increased flow and volumes of data use across the network.

Incident management

- Work with the security team to review incident response plans in light of remote working — can they still respond to incidents at the same speed?
- Keep up-to-date on the cyber threat and your risk landscape. Has there been an uptick in incidents or data breaches as a result of the change in working?
- Are you still able to track near-misses and incidents efficiently — can you maintain response rates and capabilities?

Make sure to document your lessons learned — they might be useful as your organization recovers and adjusts to the new, post-pandemic reality. And in the face of pressure to reduce expenses, it's worth asking what technologies are out there that can let you automate privacy compliance processes and make them efficient?

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Local regulatory update

The last quarter has been challenging to say the least and unsurprisingly, the primary focus of the Irish Auditing and Accounting Supervisory Board (IAASA), Financial Reporting Council (FRC), Central Bank of Ireland and the other industry regulators has being on identifying and reporting on auditing and accounting challenges that companies are facing as a result of the coronavirus (COVID-19) pandemic. There has been much issued in terms of advice from regulators regarding various corporate governance considerations.

COVID-19 publications

Companies registration office (Irish Companies)

On 23 March 2020, the Registrar of Companies announced that all annual returns due to be filed by any Company from 23 March 2020 and up to 30th June 2020 will be deemed to have been filed on time if all elements of the annual return are completed and filed by 30 June 2020. Following a review of the current situation, on the 29th May 2020, the Register extended this arrangement until the 31th October 2020. The Register has also released a PDF document outlining the current submission dates as of 3rd June 2020.

Audit committees can find further information here.

Annual General meetings (AGM's) (UK & Irish Companies)

The FRC issued guidance to companies on 18 March 2020 in terms of planning their AGM's in light of COVID-19. This guidance applies equally to Irish companies' subject to certain considerations in terms of:

- Delay convening/ Postponing the AGM
- Conducting a hybrid AGM
- Annual authorities/ Retirement of directors

Audit committees should note that virtual meetings are not permissible under Irish law. The Companies Act 2014 does not contain an equivalent to section 360A of the UK Companies Act 2006 which is viewed by many as permitting fully virtual meetings by UK companies. Hybrid general meetings are however permissible, i.e. a physical meeting that facilitates members to participate by electronic means.

Audit committees can find further information here and here

Joint statement by the Financial Conduct Authority (FCA), Financial Reporting Council (FRC) and Prudential Regulation Authority (PRA)

On 26 March 2020, a joint statement was issued by the above bodies announcing the below series of actions that may be of interest to audit committees:

- The FCA extended the deadlines for publication of audited annual financial reports from four to six months from the end of the financial year.
- Companies House issued guidance to permit a delay to the filing of accounts at 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 via a fast-tracked process.
- Companies are encouraged to consider delaying planned tenders for new auditors, even when mandatory rotation is due.
- Key audit partners are required to rotate every five years. However, where there are good reasons, for example to maintain audit quality in current circumstances, the rotation can be extended to no more than seven years. This needs to be agreed with the audit committee of any affected entity and does not need to be cleared with or approved by the FRC.
- The FRC will, where possible, delay or extend the deadlines for consultations; it has also paused for at least one month writing new letters to companies following its review of their annual reports and accounts.

Audit committees can find further information here.

Other Regulatory Guidance on COVID-19

The Central Bank of Ireland (CBI) has set up a COVID-19 Hub to bring together relevant and timely information, guidance and policy decisions for consumers, businesses and regulated firms both from the CBI and other European authorities. The CBI has intensified its engagement across the financial services system to ensure that firms are taking the necessary actions to be able to continue to serve their customers through the unprecedented challenges COVID-19 is causing.

IAASA have also created a COVID hub which includes statements and publications from various regulatory bodies. It also includes a statement from IAASA on the challenges for audits arising from COVID-19.

The European Central Bank (ECB) has also published a package of measures to support bank lending, including a webpage setting out an overview of macro-prudential measures taken by eurozone national authorities in response to the COVID-19 pandemic. The ECB has also announced that the SSM capital requirements for Market Risk have been temporarily reduced to aid banks during the crisis and has created a Q&A Forum for banks to have their questions on COVID-19 (and supervisory implications) answered.

Audit committees can find further information CBI Hub, IAASA and ECB.

Banking

The first major consequence of COVID-19 was felt in March 2020 when the European Banking Authority (EBA) announced it was going to suspend the 2020 EU-wide stress testing programme to allow banks to focus on the continuity of their operations.

The CBI also announced the release of the Counter Cyclical Buffer allowing the banking system to absorb the impact of this shock. In a further development the Central Bank has announced that the submission of quarterly reports has been delayed by a month.

The timeline for implementation of the outstanding Basel III standards has been extended as follows;

- The implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028;
- The implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023.
- The implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023

Audit committees can find further information here and here.

Asset Management

In the Asset Management Sector, ESMA has produced a statement on actions to mitigate impact on fund managers periodic reporting deadline. The statement relates to the obligations of fund managers to publish annual and half yearly reports in respect of funds they manage. The CBI has announced flexibility in respect of the remittance dates of a number of regulatory returns due from investment firms, fund service providers and investment funds over the COVID-19 period.

Audit committees can find further information here.

Insurance

In April 2020, EIOPA published a statement urging insurers and intermediaries to continue to take action to mitigate the impact of COVID-19 on consumers. It states that it is critical that insurers and intermediaries continue focusing on ensuring business continuity and the fair treatment of consumers. It expects all market participants to continue to act in the best interests of consumers, throughout the lifecycle of their relationship with the consumer.

The CBI has corresponded with the insurance sector to advise that;

- Insurers must put forward consumer-focused solutions on policy payment breaks, rebates and claims;
- While most insurance policies are clear, if there is a doubt about the meaning of a term, the interpretation most favourable to the consumer should prevail; and
- The Central Bank expects the CEOs of Irish authorised firms to take responsibility for the oversight of how their firm is managing determinations of whether claims are covered or not in the context of COVID-19.

It has also announced flexibility for certain reporting and disclosure requirements.

Audit committees can find further information here.

IAASA General Developments

IAASA publishes reports on the quality assurance review of public-interest entity audit firms

On 30 March 2020, the IAASA published the 2019 quality assurance review reports in respect of eight audit firms that perform statutory audits of public-interest entities ('PIEs'), such as listed companies, and companies that operate in the banking and insurance sectors.

All of the audit firms were subject to a whole firm review, which included an assessment of tone at the top, quality of partner and staff evaluation including compensation and promotion, audit quality reviews and audit offshoring practices. IAASA also reviewed 24 individual audits across six audit firms.

Audit committees can find further information here.

FRC General Developments

FRC assesses company and auditor responses to climate change

On 20 February 2020, the FRC announced a major review of how companies and auditors assess and report on the impact of climate change. Audit committees should be cognisant that this is an area of focus for the FRC over the coming year.

Audit committees can find further information here.

Most UK companies' approach to board ethnic diversity is unsatisfactory

According to research by FRC published on 05 February 2020 over half of FTSE 250 companies (52%) fail to mention ethnicity in their board diversity policy, and most of the FTSE 350 do not set measurable ethnicity targets. To improve ethnic diversity, the Parker Review which includes FRC research recommends each FTSE 100 Board should have at least one director of colour by 2021 and by 2024 for the FTSE 250. Audit committees should be aware of these targets and promote diversity including of gender, social and ethnic backgrounds in UK boardrooms.

Audit committees can find further information here.

FRC updates aid to Audit Committees in evaluating audit quality

On 19 December 2019, the Financial Reporting Council (FRC) issued an update of its Audit Committee Practice Aid. The update takes account of developments since the first edition was issued in 2015, including revisions of the UK Corporate Governance Code, the requirement for all Public Interest Entities (PIEs) to conduct a tender at least every 10 years and rotate auditors after at least 20 years, and increasing focus generally on audit quality and the role of the audit committee. It also takes account of commentary from audit committees suggesting how the Practice Aid could be more practical in focus and more clearly presented

Audit committees can find further information here.

Improved governance and reporting required to promote sustainability and trust in business

The FRC reviewed reporting against the 2016 UK Corporate Governance Code and assessed FTSE 100 'early adopters' of the revised 2018 Code. The FRC analysis published on 09 January 2020 found the below items that may be of interest to audit committees:

- Some good examples of reporting by companies who are increasingly using incentives relating to non-financial matters and are grounded in long-term strategy.
- Many companies are grappling with defining purpose and what an effective culture means with too many substituting slogans or marketing lines for a clear purpose.
- There is insufficient consideration of the importance of culture and strategy, or the views of stakeholders. Following the FRC's 2016 report on culture, companies should be commenting on culture and now explain how they are monitoring and assessing it.
- Limited reporting on diversity. Those companies that did report well had clear plans to meet targets – beyond just gender – and understood the long-term value of diversity.
- The use of engagement surveys was portrayed by many as an effective tool to achieve insight on employee engagement and culture. While these can help, they should not be used in isolation. Companies must be able to demonstrate that the engagement methods used are effective in identifying issues that can be elevated to the board and how this affects company decisions.

Audit committees can find further information here.

Other Regulatory General Developments

Brexit

Brexit has moved into the "transition period" phase of the Withdrawal Agreement and there has been a flurry of activity in Ireland and across the EU since the 31st of January when the United Kingdom's membership to the European Union ended. On the 4th of February, European Commission published its recommendation regarding the financial services aspects of the commission's proposals for UK-EU future relationship negotiations

Audit committees can find further information here.

Cybersecurity

The European Systemic Risk Board (ESRB) published a report on cyber incidents, such as cyberattacks. The report, which also summarises the latest estimates of the costs of cyber incidents, shows that a cyber incident could indeed evolve into a systemic cyber crisis that threatens financial stability, identifying cyber risk as one of the sources of systemic risk to the financial system.

Also, in March 2020, the Central Bank of Ireland published the findings of a Thematic Inspection into the cybersecurity risk management practices in Asset Management firms. The report found that there were improvements required in the cyber security risk management control and practices throughout the asset management sector in Ireland.

Audit committees can find further information here and here.

Investment Managers

In February 2020, ESMA published a statement clarifying issues relating to its governance and the reporting obligations for UK entities following the UK's withdrawal from the EU. From 1 February 2020, the FCA will no longer be a member of ESMA's Board of Supervisors or participate in any of ESMA's other governance bodies (unless there are exceptional circumstances). During the transition period from 1 February 2020 to 31 December 2020, EU law will continue to apply to the UK which means that rights and obligations for UK entities relating to reporting and notification obligations under the MiFID II Directive (2014/65/EU), the Markets in Financial Instruments Regulation (MiFIR) (600/2014), European Market Infrastructure Market (EMIR) (648/2012), the Central Securities Depositories Regulation (CSDR) (909/2014) and the Alternative Investment Fund Managers Directive (AIFMD) (2011/61/EU), will continue to apply. ESMA will also continue to directly supervise registered credit rating agencies (CRAs), trade agencies, trade repositories and securitisation repositories established in the UK.

Audit committees can find further information here.

Insurance

In February 2020, EIOPA published a report on its approach and lessons learned from its first crisis walkthrough exercise. EIOPA defines a walkthrough exercise as a type of crisis exercise in which the involved parties gather together in a room and within a few hours "walk through" a process or a range of processes, simulating a crisis period of several months. This sort of exercise could provide vital for the insurance sector as it deals with the impacts of COVID 19.

Audit committees can find further information here.

Active Central Bank consultations

There is currently no active Central Bank consultation.

The list of closed Central Bank consultations can be accessed here.

Financial reporting update

This section provides an overview of the key developments in accounting standards since our last edition.

Overview

Since the last edition of the Financial Reporting update, while there may not have been very significant changes to IFRS or local GAAP, there have been significant changes to the economic environment that we live in with the rapid outbreak of COVID-19 worldwide. The impact of COVID-19 which is first and foremost a public health emergency, has also seen significant challenges arising for businesses in Ireland and across the world.

There are significant financial reporting implications for businesses to consider in the preparation of their annual reports and financial statements. To assist preparers, reviewers and audit committee members with the consideration of these financial reporting implications, KPMG has released a COVID-19 financial reporting resource centre. The KPMG COVID-19 financial reporting resource centre focuses on the impacts for 2020 period ends and is continually updated as significant accounting and reporting issues arise. Regulators have also issued certain statements to assist companies with the application of financial reporting requirements such as the expected credit loss model which we have provided links to below also.

In relation to the "normal" changes to IFRS since the last edition, the IASB has decided to defer the effective date of IFRS 17 Insurance Contracts from accounting periods beginning on or after 1 January 2022 to accounting periods beginning on or after 1 January 2023. There were also a number of narrow scope amendments to IFRS and exposure drafts published, further detail of which have been provided below.

From a local GAAP perspective, there were amendments published to FRS 102 to address uncertainties arising in relation to interest rate benchmark reform.

In looking to upcoming interim financial statements, KPMG has recently issued its illustrative condensed interim disclosures publication for 2020 which will assist preparers, reviewers and audit committee members in their preparation and review of IAS 34 interim financial statements. This disclosure publication will be helpful for use in conjunction with the COVID-19 financial reporting resource centre to update the position of the entity since the last annual reporting period.

IFRS activity

KPMG resources to assist you with the financial reporting implications arising from COVID-19

The impact of the COVID-19 pandemic is likely to be impacting most companies, either directly or indirectly, and the increased economic uncertainty and risk may have significant financial reporting implications. In order to assist companies better understand the potential accounting and disclosure implications and the actions that can be taken now, KPMG has developed an online resource centre which focuses on the financial reporting impacts for 2020 period ends and is continuously updated as significant accounting and reporting issues arise. The COVID-19 financing reporting resource centre also has a podcast which audit committee members can listen to which further explains potential financial reporting implications.

Key financial reporting considerations arising as a result of COVID-19 and looked at in further detail on the KPMG COVID-19 financial reporting resource centre include:

- Understanding the nature and extent of an entity's potential exposure to the impacts of the outbreak, in particular the entity's ability to continue as a going concern
- Considering whether the financial reporting effects of the outbreak are non-adjusting events or adjusting subsequent events. With respect to financial statements for the year ended 31 December 2019, the financial reporting effects are generally considered to be non-adjusting events (with the exception of going concern) as the significant changes in business activities occurred as a result of events occurring after the reporting date of 31 December 2019.

- If government assistance has been availed of by an entity, how should the entity account for the different forms of assistance that has been obtained.
- Consideration of whether the fair value of assets has been appropriately determined and whether non-financial assets such as property, plant and equipment, intangible assets and goodwill have become impaired and whether deferred tax assets are recoverable.
- The level of disclosures to be provided in the financial statements in order to appropriately reflect the impact that COVID-19 has had on the operations of the entity.

It is recommended that Audit Committee members look at the page to understand the types of areas that should be considered for financial reporting purposes.

The KPMG financial reporting resource centre is available here

Proposed amendment to IFRS 16 with respect to COVID-19 related rent concessions

In response to COVID-19, the IASB is proposing to amend IFRS 16 Leases to allow lessees an optional exemption not to account for rent concessions as lease modifications if they arise in 2020 and are a direct consequence of COVID-19. The proposed exemption would only apply if:

- The revised consideration is substantially the same or less than the original consideration;
- The reduction in lease payments relates to payments due in the year 2020; and
- No other substantive changes have been made to the terms of the lease.

If a lessee did avail of the exemption, if would need to be disclosed in the financial statements.

No exemption is proposed for lessors, therefore they are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The proposed amendments are expected to be finalised by end of May 2020 and would be effective for accounting periods beginning on or after 1 June 2020, with earlier application permitted.

KPMG has further guidance available on the proposed amendments to IFRS 16 available here

KPMG release 2020 condensed interim illustrative disclosures

KPMG have released the 2020 condensed interim illustrative disclosures guide which includes an illustration of the change in accounting policies for entities that have hedges that are directly affected by interest rate benchmark reform.

For many entities, the 2020 interim financial statements will be the first reporting period in which the impacts of the COVID-19 outbreak are reflected i.e. it will affect the measurement and recognition of assets and liabilities, income and expenses so it will be important for entities to provide relevant and clear disclosures, and provide updates from the most recent annual financial statements. The KPMG COVID-19 financial reporting resource centre referred to above will be helpful in understanding the financial reporting considerations for the interim financial statements. In addition, a webpage looking at the impact on COVID-19 on interim financial statements has been developed by KPMG which provides specific consideration relevant to the interim reporting period.

The 2020 condensed interim illustrative guide is available here

The KPMG guidance on the impact of COVID-19 on interim financial statements is available here

KPMG release new edition of the comparison of IFRS and US GAAP publication

In March 2020, KPMG released a new edition of the comparison between IFRS and US GAAP publication based on 31 December 2019 year ends. The publication sets out the main differences between IFRS and US GAAP from a recognition, measurement and presentation perspective. The publication is a good reference point and would be helpful for audit committee members in understanding the differences between US GAAP and IFRS.

The publication is available here

ESMA publications

ESMA guidance on the COVID-19 impact on reporting expected credit losses

The European regulator, ESMA, has issued a statement on some accounting implications of the economic support and relief measures adopted by EU member states in response to the COVID-19 outbreak. The statement provides guidance to issuers on the application of IFRS 9 Financial Instruments and specifically the calculation of expected credit losses and related disclosures.

The European Banking Authority (EBA) has also issued a related statement regarding the prudential framework and accounting implications of COVID-19. Both statements are consistent with regard to financial reporting. A link to the ESMA webpage containing the press release and public statement has been provided below so that audit committee members can refer to as appropriate. Click here

ESMA publication on EU issuers' use of Alternative Performance Measures and their compliance with ESMA's APM Guidelines

In December 2019, ESMA published a report providing an overview of the use of Alternative Performance Measures (APMs) by European issuers and their compliance with the ESMA APM Guidelines. The report addresses the use of APMs in management reports, ad hoc disclosures and financial statements and the compliance of issuers with the ESMA guidelines in their presentation of the APMs. As APMs continue to be a significant focus of regulators, a link to the ESMA webpage containing the press release and report has been provided below to assist audit committee members in considering the expectations of regulators when communications are being made to the market which contain APMs. Click here

Newly-effective IFRSs

IFRSs as adopted by the EU for 31 December 2019, 31 March 2020, 30 June 2020 and 30 September 2020 year-end financial statements

For those companies which are preparing their year-end financial statements for either of the years ended 31 December 2019, 31 March 2020, 30 June 2020 or 30 September 2020 i.e. annual periods beginning on or after 1 January 2019, 1 April 2019, 1 July 2019 or 1 October 2019 under IFRSs as adopted by the EU, the following will be mandatory for the first time in their year- end financial statements:

- IFRS 16 Leases.
- IFRIC 23 Uncertainty over income tax treatments.
- Amendments to IFRS 9 Prepayment features with negative compensation.
- Amendments to IAS 28: Long-term interests in associates and joint ventures.
- Amendments to IAS 19: Plan amendment, curtailment or settlement.
- Annual improvements to IFRS 2015 to 2017 Cycle

Mandatory IFRSs as adopted by the EU for periods beginning on or after 1 January 2020

The following standards/ amendments are available for early adoption by companies but are not mandatory until accounting periods beginning on or after 1 January 2020 and therefore will be relevant for upcoming interim financial statements prepared from 1 January 2020 e.g. 30 June 2020 interims and also to 31 December 2020 financial statements:

Amendments to references to Conceptual Framework in IFRS Standards

- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform
- Amendments to IFRS 3 Definition of a business

The following IFRS standards await endorsement by the EU (please note this table does not include upcoming amendments which have not yet been published in their final form by the IASB, they are detailed down further in this article and will be added to this table once they are published):

Standards available for early adoption (IASB IFRS)	Mandatory effective date
IFRS 17 Insurance Contracts	Not yet endorsed
Amendments to IAS 1 Classification of liabilities as current or non-current	Not yet endorsed
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet endorsed
IFRS 14 Regulatory deferral accounts	Not yet endorsed
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet endorsed
IFRS 14 Regulatory deferral accounts	Not yet endorsed

Please note the endorsement status of IFRS as adopted by the EU can be monitored on the European Financial Reporting Advisory Group's endorsement webpage which can be accessed here

Newly effective IASB IFRSs for 31 December 2019, 31 March 2020, 30 June 2020 or 30 September 2020 year-end financial statements

For those companies which are preparing their year- end financial statements for the years ended 31 December 2019, 31 March 2020, 30 June 2020 or 30 September 2020 i.e. annual periods beginning on or after 1 January 2019, 1 April 2019, 1 July 2019 or 1 October 2019 under IASB IFRS, the following will be mandatory for the first time in their year- end financial statements:

- IFRS 16 Leases.
- IFRIC 23 Uncertainty over income tax treatments.
- Amendments to IFRS 9 Prepayment features with negative compensation.
- Amendments to IAS 28: Long-term interests in associates and joint ventures.
- Amendments to IAS 19: Plan amendment, curtailment or settlement.
- Annual improvements to IFRS 2015 to 2017 Cycle

Mandatory IFRSs as adopted by the EU for periods beginning on or after 1 January 2020

The following standards/ amendments are available for early adoption by companies during the accounting periods noted above but are not mandatory until accounting periods beginning on or after 1 January 2020 and therefore the standards noted below that are mandatory for accounting periods beginning on or after 1 January 2020 will be relevant for upcoming interim financial statements prepared from 1 January 2020 e.g. 30 June 2020 interims and also to 31 December 2020 financial statements *(please note this table does not include upcoming amendments which have not yet been published in their final form by the IASB, they are detailed down further in this article and will be added to this table as they are published):*

Standards available for early adoption (IASB IFRS)	Mandatory effective date
Amendments to references to the definition of material (amendments to IAS 1 and IAS 8)	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 Definition of a Business	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
Amendments to IAS 1 Classification of liabilities as current or non-current	1 January 2022*
IFRS 17 Insurance Contracts	1 January 2023**
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Optional

**While the amendments to IAS 1 Classification of liabilities as current or non current are currently effective for accounting periods beginning on or after 1 January 2022. The IASB has proposed the delay of the effective date of the amendments by one year from 1 January 2022 to 1 January 2023. The Board has published an exposure draft on this proposal which is available here*

***In March 2020, the IASB decided to defer the effective date of IFRS 17 to accounting periods beginning on or after 1 January 2023. The previous effective date had been for accounting periods beginning on or after 1 January 2020. KPMG has further guidance on IFRS 17 here*

KPMG Tool for generating newly effective and upcoming IFRS

For further information on all of the above new and upcoming IFRS and amendments to IFRS, please refer to the KPMG webtool KPMG which allows you to generate a customised list of newly effective and forthcoming IFRS standards for both IASB IFRS and EU IFRS depending on the accounting period of your entity and which contains links to further guidance on each standard or amendment. Click here

This is a helpful resource for audit committee members in looking at newly effective and upcoming IFRS.

Forthcoming IFRSs and narrow scope amendments

We have outlined below the listing of forthcoming IFRSs and narrow scope amendments and their expected publication dates. We have also provided a brief summary of each upcoming IFRS and amendment so that audit committee members are up to date on forthcoming changes to IFRS.

IFRSs and narrow scope amendments	Within 6 months	Within 6 months
Fees in the "10 per cent" test for derecognition of financial liabilities (amendments to IFRS 9)	√	
Lease incentives (amendment to illustrative example accompanying IFRS 16)	√	
Onerous contracts – costs of fulfilling a contract (amendments to IAS 37)	√	
Property, plant and equipment: proceeds before intended use (amendments to IAS 16)	√	
Subsidiary as a first time adopter (amendment to IFRS 1)	√	
Taxation in fair value measurements (amendment to IAS 41)	√	
Updating a reference to the conceptual framework (amendments to IFRS 3)	√	
Amendments to IFRS 17 Insurance contracts	√	
Accounting policies and accounting estimates (amendments to IAS 8)		√

For further information, please see the following publications:

- *Fees in the 10 per cent test for de-recognition of financial liabilities (amendments to IFRS 9)*
  This amendment includes clarifications on the fees that an entity should include when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The reference to fees in the 10 per cent test includes only fees paid or received between the borrower and the lender, including any fees paid or received by either the borrower or the lender on the other's behalf. The amendment once published will be effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

IASB press release and related publications on the amendments to IFRS 9 are available here

- *Lease incentives (amendment to illustrative example 13 accompanying IFRS 16)*
  This amendment amends illustrative example 13 which accompanies IFRS 16 Leases due to potential confusion for preparers because of how it illustrates the requirements for lease incentives. The amendment once published will be effective for annual periods beginning on or after 1 January 2022 as part of annual improvements to IFRS standards 2018 to 2020.

IASB press release and further guidance regarding the amendment is available here

- *Onerous contracts: costs of fulfilling a contract (amendments to IAS 37)*

The amendments to IAS 37 were a narrow scope amendment to clarify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous and to add examples to illustrate the amendment.

The IASB press release and related publications on the amendments to IAS 37 are available here.

- *Property, plant and equipment proceeds before intended use (amendments to IFRS 16)*
  The amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment (PPE) any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendment once published will be effective for accounting periods beginning on or after 1 January 2022.

IASB press release and related publications on the amendments to IAS 16 are available here

- *Subsidiary as a first time adopter (amendments to IFRS 1)*
  This amendment was published as part of annual improvements to FRS standards 2018 to 2020. The amendment provides additional relief to a subsidiary that elects to apply D16(a) of IFRS 1 First-time adoption of International Financing Reporting

Standards to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs. The amendment once published will be effective for accounting periods beginning on or after 1 January 2022 with earlier application permitted.

IASB press release and further guidance regarding the amendment is available here

- *Taxation in fair value measurements (amendments to IAS 41)*
  This amendment was published as part of annual improvements to FRS standards 2018 to 2020. The amendment removes the requirement in paragraph 22 of IAS 41 Agriculture for entities to exclude cash flows for taxation when measuring fair value applying IAS 41, and therefore aligns the requirements in IAS 41 on fair value measurement with those in other IFRS standards. The amendment once published will be effective for annual periods beginning on or after 1 January 2022 as part of annual improvements to IFRS standards 2018 to 2020.

IASB press release and further guidance regarding the amendment is available here

- *Updating a reference to the Conceptual Framework (amendments to IFRS 3)*
  This amendment was published with three changes being made to IFRS 3 *Business Combinations*. The three amendments are as follows:

1. Remove from IFRS 3 a reference to an old version of the Board's Conceptual Framework ("the Framework for the preparation and presentation of financial statements" issued in 1989) with a reference to the current version ("the Conceptual framework for financial reporting").
2. The addition to IFRS 3 of an exception to its recognition principle. For liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if incurred separately, an acquirer should apply IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework to identify the obligations it has assumed in a business combination.
3. Make the IFRS 3 requirements regarding contingent assets more explicit so that IFRS 3 will include an explicit statement that an acquirer should not recognise contingent assets acquired in a business combination.

IASB press release and further guidance regarding the amendment is available here

- *Amendments to IFRS* 17 Insurance contracts
  This amendment was published to defer the effective date of IFRS 17 to annual accounts beginning on or after 1 January 2023. The amendment is expected to be issued in the second quarter of 2020.

IASB press release and further guidance regarding the amendment is available here

- *Accounting policies and accounting estimates (amendments to IAS 8)*
  The amendments to IAS 8 were primarily focused on revising the definition of "accounting estimates" and clarify that:

  (i) accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty;

  (ii) such monetary amounts are outputs of measurement techniques used in applying accounting policies; and

  (iii) an entity uses judgements and/or assumptions in developing an accounting estimate.

IASB press release and related publications on the amendments to IAS 8 are available here.

Audit Committee Handbook

The Audit Committee Institute launched an updated version of the Audit Committee Handbook in late 2017. This publication, written for both the Irish public and private sectors, highlights the Audit Committee's role and provides guidance to help Audit Committees gain a better understanding of the processes and practices that help create effective Audit Committees. The guide is designed to be an easy reference guide to a range of topics from the Irish regulatory landscape to the duties of audit committees and communications with shareholders.

A selection of what the book can offer is as follows:

- ACI guiding principles for audit committees reflecting the committee's ever-increasing workload
- Step-by-step guide on how to approach an audit tender process
- Complete set of audit committee fundamentals, leading practices and ready-to-use tools
- Best practice guidance on audit committee member induction
- Extensive guidance to assist audit committee chairs in their important role
- Risk oversight essentials in the digitalized world

The guide is available for download here

Word versions of the various questionnaires, and other appendices - which can be customised to a company's specific circumstances - are also included.

Let us know what you think

We are always grateful for feedback regarding topics for breakfast seminars, roundtables and *Audit Committee Magazine*.

Let us know what you would like covered by phoning us at +353 (1) 410 1160 or e-mailing us available here.

ACI International

The Audit Committee Institute, sponsored by KPMG, is an international initiative with thousands of members sharing resources across borders. A list of affiliated sites is available here.

Many members of ACI in Ireland are board members of international companies, or often spend a significant amount of time in other jurisdictions. Please feel free to follow the links of our affiliated members in order to register for publications from or events in their countries.

For ease of reference registration for ACI UK can be achieved by emailing: **auditcommittee@kpmg.co.uk**.

Registration for ACI US can be achieved by following the instructions here.

Contact us

If you have feedback on this issue or would like to suggest a topic for a future edition, please contact:

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Produced by: KPMG's Creative Services. Publication Date: May 2020. (5995)