

Audit & Accounting Alert Newsletter

ISSUE 8 | AUGUST 2022

At-A-Glance

Accountants located in Ukraine, Russia, and nearby countries have been forced to deal directly with the ongoing war in recent months. That has been the case for Integra member firm, EBS, based in Kiev, Ukraine, as well as for other members in the region. But even in lands distant from the area of conflict, companies and accountants need to consider and address the far-reaching implications that are impacting their own operations and reporting as a result of the forces associated with the highly interconnected world economy. This issue of the Audit & Accounting Alert touches on the more significant areas of concern.

Our Worldwide Update is again split into two sections. The first covers COVID-19 news from organizations across the globe, while the second covers other news.



Gerald Herter - Editor

The War in Ukraine Reaches the Realm of Financial Reporting

Direct and indirect impacts on amounts and disclosures
warrant assessment



While companies operating in Ukraine are facing firsthand disruption from the war, many others are affected indirectly by various factors, such as interruption of the flow of goods through supply chains, restrictions stemming from sanctions on Russia, and other unplanned circumstances. Consequently, preparers and auditors must consider if and how the war needs to be incorporated into financial reports.

For a reporting period ended before the Russian invasion on February 24, 2022, adjustments would not be applied to financial reports as a result of the war, but disclosures in such reports issued after the start of the war are required to reflect the extent of material impacts. For reporting periods after the initial invasion, adjustments may be required depending on materiality and timing. Even where specific limitations are not present, changes in the global economy and financial system may cause concerns that need to be considered.

Some of the issues that warrant scrutiny are:

- Access to information needed to make determinations and calculations
- Supply chain interruption or stoppage
- Transportation disturbances of goods and staff
- Impairment of assets overall and specifically by production changes preventing usage of inventory
- Financing problems
- Foreign currency fluctuations
- Inflation of prices
- Loss of goodwill
- Potential for cyber attacks
- Going concern

Early on, a company should do an analysis to ascertain potential catastrophic aspects that could impede the very survival of the entity and take appropriate steps to maintain viability. Then the other factors can be dealt with.

For the auditor, along with standard audit procedures, special consideration must be given to how the war environment can impact the client. Risk assessment will change. Will the company be able to survive? Will audit evidence be accessible or will alternate procedures be necessary? Are the company's controls, measures and disclosures adequate and effective in light of the conditions? The

Public Company Accounting Oversight Board (PCAOB) in March 2022 issued a Spotlight document, [Auditing Considerations Related to the Invasion of Ukraine](#), that provides helpful guidance.

The SEC has notified companies of the importance of disclosures in filings with the SEC, issuing an illustrative sample letter that indicates the types of comments that may require a response from a company. In the notification, the SEC further elaborated, noting that the SEC “believes that companies should provide detailed disclosure, to the extent material or otherwise required, regarding (1) direct or indirect exposure to Russia, Belarus, or Ukraine through their operations, employee base, investments in Russia, Belarus, or Ukraine, securities traded in Russia, sanctions against Russian or Belarusian individuals or entities, or legal or regulatory uncertainty associated with operating in or exiting Russia or Belarus, (2) direct or indirect reliance on goods or services sourced in Russia or Ukraine or, in some cases, in countries supportive of Russia, (3) actual or potential disruptions in the company’s supply chain, or (4) business relationships, connections to, or assets in, Russia, Belarus, or Ukraine. The financial statements may also need to reflect and disclose the impairment of assets, changes in inventory valuation, deferred tax asset valuation allowance, disposal or exiting of a business, de-consolidation, changes in exchange rates, and changes in contracts with customers or the ability to collect contract considerations. In addition, since Russia’s invasion of Ukraine, many companies have experienced heightened cybersecurity risks, increased or ongoing supply chain challenges, and volatility related to the trading prices of commodities regardless of whether they have operations in Russia, Belarus, or Ukraine that warrant disclosure. Companies also should consider how these matters affect management’s evaluation of disclosure controls and procedures, management’s assessment of the effectiveness of internal control over financial reporting, and the role of the board of directors in risk oversight of any action or inaction related to Russia’s invasion of Ukraine, including consideration of whether to continue or to halt operations or investments in Russia and/or Belarus.”

On the AICPA website, an article, [Navigating the Ukraine conflict](#), provides a variety of resources to assist with various aspects of the situation. For example, on the Dun & Bradstreet website that is referenced, a table highlights a list of potential alternate suppliers for products normally obtained from Ukraine or Russia.

Another helpful source for audit as well as financial reporting guidance directly relating to the Ukraine war is The Institute of Chartered Accountants in England and Wales (ICAEW), whose website contains a wealth of articles and guidance: [Ukraine crisis: central resource hub](#).

Integra International members have been uniquely positioned to both assist and benefit from the Ukrainian conflict. Helen Volska is an Integra Global Board member and Managing Partner of Integra member firm, EBS, which is based in Kiev, Ukraine. Though facing disruption from the war, EBS has displayed what Integra is all about, by promoting cooperation with fellow Integra members from around the world. As fellow Integra member, Steve Austin, from Swenson Advisors in San Diego states:

“Firms in the U.S have successfully contracted with professionals in the Integra firm in Kiev since February...their Managing Partner Helen Volska and her staff have been quite helpful in providing talented auditors for Swenson for the last 6 months. Their knowledge of US GAAP and IFRS is outstanding...and their English writing skills are well above average...this has been a win win for her firm and the US firm who needs talent.”

Further details can be found at [Dynamics resellers join forces to aid Ukrainian teams](#).

Worldwide Update



Periodic roundup of recent and upcoming actions and activities by auditing and accounting organizations throughout the world.

COVID-19 Related

International

IASB – International Accounting Standards Board (www.ifrs.org)

- Coronavirus Information and resources – link – <https://www.ifrs.org/news-and-events/2020/03/the-coronavirus-and-the-foundations-work/>

IFAC – International Federation of Accountants (www.ifac.org)

- COVID-19 Resources from IFAC's Network – link - <https://www.ifac.org/knowledge-gateway/series/COVID-19-resources-ifacs-network>

ACCA – Association of Chartered Certified Accountants (www.accaglobal.com/)

- Coronavirus Information and resources – link - <https://www.accaglobal.com/us/en/cam/coronavirus.html>
- **Update on the Coronavirus and Impact for Association Activities** – link - <https://www.cimaglobal.com/Members/Update-on-Coronavirus/>

CIMA – Chartered Institute of Management Accountants (www.cimaglobal.com)

- Update on the Coronavirus and Impact for Association Activities – link - <https://www.cimaglobal.com/Members/Update-on-Coronavirus/>

VRF- The Value Reporting Foundation (www.thevrf.org)

- The Value Reporting Foundation will be consolidated into the IFRS Foundation as of August 1, 2022.

World Economic Forum – (www.weforum.org)

- The COVID Action Platform – link - <https://www.weforum.org/platforms/covid-action-platform> - focuses on three priorities: 1. Galvanize the global business community for collective action. 2. Protect people's livelihoods and facilitate business continuity. 3. Mobilize cooperation and business support for the COVID-19 response.

Africa, Europe, India, and the Middle East (AEIME)

FRC – Financial Reporting Council of the UK (www.frc.org.uk)

- FRC guidance for companies and auditors during COVID-19 crisis – link - <https://www.frc.org.uk/covid-19-guidance-and-advice>.

ICAEW - Institute of Chartered Accountants in England and Wales (<https://www.icaew.com/>)

- Coronavirus – updates – link - <https://www.icaew.com/insights/coronavirus>.

EFRAG – European Financial Reporting Advisory Group (www.efrag.org)

- *No new developments*
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Americas, Asia, Australia and New Zealand (AAANZ)

AICPA – American Institute of Certified Public Accountants (www.aicpa.org)

- AICPA Coronavirus (COVID-19) Resource Center – link - <https://www.aicpa.org/news/aicpa-coronavirus-resource-center.html>

FASB – Financial Accounting Standards Board (www.fasb.org)

- FASB Response to COVID-19 – link - <https://www.fasb.org/COVID19>

GASB – Governmental Accounting Standards Board (www.gasb.org)

- GASB Response to COVID-19 – link - <https://www.gasb.org/COVID19>

COSO - The Committee of Sponsoring Organizations of the Treadway Commission (www.coso.org)

- *No new developments*

PCAOB – Public Company Accounting Oversight Board (www.pcaob.org)

- PCAOB Response to COVID-19 – link - <https://pcaobus.org/Pages/response-to-COVID-19.aspx>

SASB – Sustainability Accounting Standards Board (www.sasb.org)

- See The Value Reporting Foundation above.

SEC – Securities and Exchange Commission (www.sec.gov)

- SEC Coronavirus (COVID-19) Response – link - <https://www.sec.gov/sec-coronavirus-COVID-19-response>

CAANZ - Chartered Accountants Australia and New Zealand (<https://www.charteredaccountantsanz.com/>)

- Financial Reporting and Audit Guide: Financial reporting and audit issues stemming from COVID-19 – link - <https://www.charteredaccountantsanz.com/tools-and-resources/client-service-essentials/reporting/financial-reporting-and-audit-guide-financial-reporting-and-audit-issues-stemming-from-covid19>
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Other Updates

International

IASB – International Accounting Standards Board (www.ifrs.org)

- *No new developments.*

IFAC – International Federation of Accountants (www.ifac.org)

- **The State of Play in Reporting and Assurance of Sustainability Information: Update 2019-2020 Data & Analysis**, issued jointly by the AICPA, CIMA and the International Federation of Accountants (IFAC), on July 28, 2022, “designed to update understanding (based on 2020 reporting) of market practice for the assurance of environmental, social, and governance (ESG

or sustainability) information, globally. This report is an update to the The State of Play in Sustainability Assurance report published in July 2021.”

- **The International Auditing and Assurance Standards Board (IAASB) - First-Time Implementation Guide for ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement.**, issued July 27, 2022, “focuses on the more substantial changes that were made to International Standard on Auditing (ISA) 315 (Revised 2019) and will help stakeholders understand and apply the revised standard as intended.”

ACCA – Association of Chartered Certified Accountants (www.accaglobal.com)

- *No new developments.*

CIMA – Chartered Institute of Management Accountants (www.cimaglobal.com)

- The State of Play in Reporting and Assurance of Sustainability Information: Update 2019-2020 Data Analysis, issued jointly by the AICPA, CIMA and the International Federation of Accounts (IFAC), on July 28, 2022. See IFAC above for details.

VRF - The Value Reporting Foundation (www.thevrf.org)

- The Value Reporting Foundation will be consolidated into the IFRS Foundation as of August 1, 2022.

IIRC - International Integrated Reporting Council (www.theiirc.org)

- See The Value Reporting Foundation above.

World Economic Forum – (www.weforum.org)

- *No new developments.*

Africa, Europe, India, and the Middle East (AEIME)

FRC – Financial Reporting Council of the UK (www.frc.org.uk)

- **Audit Quality Inspection and Supervision Report - Tier 1 Firms – Overview**, issued July 20, 2022. The annual report indicates improvements in audit quality at the largest firms, while stating that further improvements are still needed, with 75% of audits selected reported as good or requiring only limited improvements.

ICAEW - Institute of Chartered Accountants in England and Wales (<https://www.icaew.com/>)

- **Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022)**, consultation draft issued in July 2022, “sets out how auditors of public sector bodies in England, Scotland, Northern Ireland and Wales apply auditing standards to their work on financial statements. The aim of the Practice Note is to support consistency in the application of auditing standards while also recognising the specific legislative and regulatory frameworks that apply to the audits of public sector bodies. PN 10 also provides guidance on the approach to the audit of regularity. PN 10 was last revised in 2020 and there is a need to ensure the Practice Note is updated to take account of changes to International Standards on Auditing (UK) (ISAs (UK)) and other developments in the auditing profession.” Comment period ends on September 1.

EC – European Commission (<https://ec.europa.eu/>)

- *No New Developments*

EFRAG – European Financial Reporting Advisory Group (www.efrag.org)

- *No New Developments*

Americas, Asia, Australia and New Zealand (AAANZ)

AICPA – American Institute of Certified Public Accountants (www.aicpa.org)

- **The State of Play in Reporting and Assurance of Sustainability Information: Update 2019-2020 Data & Analysis**, issued jointly by the AICPA, CIMA and the International Federation of Accountants (IFAC), on July 28, 2022. See IFAC above for details.

FASB – Financial Accounting Standards Board (www.aicpa.org)

- **Exposure Draft - Financial Services—Insurance (Topic 944) Transition for Sold Contracts**, issued July 14, 2022, “to reduce implementation costs and complexity associated with the adoption of [Standards Update No. 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts] (LDTI) for contracts that have been derecognized because of a sale or disposal of individual or a group of contracts or legal entities before the LDTI effective date. Comment period ends August 8, 2022.

GASB – Governmental Accounting Standards Board (www.gasb.org)

- *No new developments.*

COSO - The Committee of Sponsoring Organizations of the Treadway Commission (www.coso.org)

- *No new developments.*

PCAOB – Public Company Accounting Oversight Board (www.pcaob.org)

- *No new developments.*

SASB – Sustainability Accounting Standards Board (www.sasb.org)

- *No new developments.*

SEC – Securities and Exchange Commission (www.sec.gov)

- *No new developments.*

Additional A&A News

- **Burnout sweeps through accounting industry causing surge in mistakes on the job**
- **The functions CFOs are targeting for budget cuts, increased spending**
- **The importance of standardised digitalisation for the accountancy sector**
- **6 Steps to Implementing Late-Stage Lease Accounting Compliance**
- **PCAOB, SEC chairs look to strengthen oversight of auditing practices**
- **Value: Its meaning and measurement**
- **Accounting Today's complete coverage of the coronavirus impact**
- **Accountancy Age's Resource on UK regulations on accountancy during coronavirus**
- **California CPA Society Coronavirus Resources and Information**
- **Accountingweb's Coronavirus Content Series**
- **Accountancy Daily Corona Virus Resources**
- **China Briefing's Coronavirus Insights for Your Business in China**

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Editor Gerald E. Herter

Email: gerry.herter@integra-international.net

www.Integra-International.net

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