



Covid 19 update

PN XXX

Date

Since the onset of the Covid 19 crisis the Financial Reporting Council (FRC) has maintained regular dialogue with audit firms to understand the practical issues they face in undertaking their work. We have used this to develop practical guidance to ensure they can gather sufficient, appropriate audit evidence to support their auditor's reports at a time of heightened uncertainty.

The FRC has discussed the situation with investors who support the provision of high-quality information to assist the continued effective functioning of financial markets. Our guidance helps to do that.

The FRC clarifies that the accounting and auditing standards on going concern have not changed, nor has the FRC increased pressure on auditors to be tough. Auditors should challenge management appropriately on their judgements, and given the current uncertainty ensure they have sufficient appropriate evidence to support the judgments they make.

The Joint Statement by FRC, PRA and FCA on 28 March alerted investors that more material uncertainties on going concern were likely given the uncertain outlook for many companies. The FRC provided accompanying guidance for companies and auditors.

The Joint Statement strongly encouraged lenders and other parties to take into account current circumstances in responding to breaches of covenants arising from COVID-19 and its consequences.

The FCA also extended deadlines for publication of audited annual financial reports from four to six months from the end of the financial year. This was partly to give companies and auditors more time to make these difficult judgements, including taking fully into account the government support measures that have been announced.

Notes to editors:

1. The FRC's purpose is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the competent authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.
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