

Challenges the Profession is Facing in the COVID-19 Era

Three months back, we had not expected that COVID-19 would develop into the pandemic the way it has happened now. Now, it is afflicting almost every country throughout the world. It is continuing to cause extraordinary challenges to humanity, in terms of the public healthcare, economic stability, politics and culture. At the same time, it is also causing critical challenges to our profession. Read on...

On behalf of IFAC, the International Federation of Accountants, it is my privilege and honor to congratulate President Gupta and Members of ICAI and to celebrate with them Chartered Accountants' Day and the Founding Day of ICAI.

ICAI is one of IFAC's more than 170 members across more than 130 countries and jurisdictions, which together represent more than three million professional accountants across the globe. ICAI joined the IFAC family in 1977 and since then ICAI members have served

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with distinction on the IFAC Board, its committees, and the international standard setting boards that IFAC supports. I want to acknowledge their service and leadership.

I'd also like to congratulate ICAI for hosting the World Congress of Accountants 2022. I really do appreciate your wholehearted commitment to the global profession. Through your world-class advanced digital technology, I am confident that the WCOA 2022 will be an unprecedented success and will provide the highest quality presentations and discussions with historic levels

of participation from around the world. It will cement ICAI as a world leader in the accounting profession and it will set a new standard for the WCOA in the future.

As we talk about global challenges and smart solutions, your thoughtful and proactive response to this crisis is impressive. In April, ICAI conducted a virtual global conference successfully. It was an outstanding conference. I understand that about 50,000 people joined. Your vision and leadership to respond to the crisis, balancing practical realities with our need to persist





in our work, is a testament to your forward thinking. I would like to commend you for this creative solution to these unique challenges. I hope that you continue to initiate inspired and relentless attempts to overcome our challenges and lead our profession by example.

Everyone is Facing the Same Challenges Under COVID-19

We know that COVID-19 is turning the world upside-down, but as a profession we can—and must—work to provide the essential services we need to bring to the global economy and civil society. This crisis is worldwide but we are all facing the same problems, and we all need to develop creative solutions, which will be different depending on specific nature of each economic environment.

The author of *Sapiens*, Yuval Noah Harari, predicted that after the storm passes, we will inhabit a different world. We may not be sure of the details, but this different world will include (1) more digital communications rather than in-person contacts accelerated by

three to five years and (2) more environmental and public health protection efforts. People will be more concerned about public health and individual sanitation.

I would like to offer a few thoughts on how to handle what we have already seen, and how to prepare for challenges on the horizon.

Crisis of Small Businesses

As we all know, the current business environment is being severely disrupted. As the result of lockdowns everywhere, along with many border closures, we have found that global economic cooperation is easily disrupted by the local effects of COVID-19.

This phenomenon has caused supply chain problems for global production lines from platform companies to local suppliers.

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enough cash to endure the several months during which sales have fallen dramatically, and they will continue to struggle for the foreseeable future. These businesses will soon face extreme liquidity problems with the distinct possibility of them becoming bankrupt—if they have not already become bankrupt.

Most organizations worldwide are small in size, and the importance of small businesses to the global economy is indisputable. Governments, businesses, professionals, and every sector of society are making their best endeavors to stall this appalling chain reaction and restore the economy back to normal. Our profession, of course, should do its best to contribute to these efforts.

IFAC published a “Small Business Continuity Checklist – How to Survive and Thrive Post Covid-19” in May. The checklist covers key Financial Management Tasks and Strategic Management Tasks.

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The Financial Management Tasks address cash flow management to reduce short term obligations while keeping an eye on longer term obligations. The Strategic Management Tasks highlight key operational and procedural items, with a focus on communication, accelerating digitalization, and transforming small businesses responding to drastic consumer behavior shifts.

Our profession must help small businesses to survive the current unsettled environment, and to move on to thrive in the future. Technology is key to coping with the crisis. ICAI has been recognized as a world leader in developing innovative solutions to advance SME competitiveness. I am confident that ICAI will keep developing new application of technologies and tools for SMEs and sharing them with other PAOs through



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IFAC's knowledge platform, "Knowledge Gateway."

Corporate Disclosure under Uncertain Environments

In the US, the Securities and Exchange Commission released a statement regarding the importance of disclosures related to COVID-19—particularly forward-looking disclosures to provide investors and markets with information necessary to make informed decisions.

Although primary financial statements are the major source of high-quality financial reporting, supplemental information such as management commentary and risk factors will provide critical insights into the future performance and viability of an organization—especially when unprecedented situations disrupt normal business operations. Integrated reporting, along with integrated thinking, can be an efficient and effective tool to communicate an entity's strategies for the future to key stakeholders. But it becomes an even bigger challenge to prepare an integrated report under the current disruptive circumstances.

This task is becoming more urgent as the next phase of the COVID-19 response is coming into focus. Many countries that locked down are starting to open back up. But this is happening amid great uncertainty. A successful reopening that leads recovery is not guaranteed. Every organization needs a complete and realistic view of



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their current and projected circumstances to handle whatever is to come — as do all stakeholders. This will inform sound financial decisions and guide countries as they look to reopen their economies. Our profession has a key role to play to deliver this information.

Challenges in Audit.

During these times of great uncertainty, our profession is facing a great deal of challenges. These are critical concerns for regulators, corporations and investors as well. Many insights have been published since the pandemic was declared by WHO. But we should not expect to solve all of our problems today. We will have to live with uncertainty about this virus—maybe for a long time.

Our list of challenges in audit and corporate reporting, in particular, is formidable and the uncertainty around them is



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significant. For organizations facing deadlines for reporting, for example, the loss of time and the restrictions of physical distancing will affect the ability of auditors, preparers, and issuers to do their jobs and report their findings promptly. The following are just a few of the many pressing questions we must answer.

- (1) How will we respond to physical disruptions not only in our clients' operations, but also our own?
- (2) What if audit evidence available during this crisis is simply too little or too weak to inform an audit opinion in time for legal deadlines?
- (3) How will asset devaluation affect the viability of countless businesses, and raise questions around Going Concern status?
- (4) How will we deal with legal and contractual non-compliance as supply chains crumble and cash flows dry up?
- (5) How will professional accountants meet their Continuing Professional Development requirements?
- (6) What should we do to promote the well-being of individual professional accountants?
- (7) And how do we handle the onboarding of new hires?

I have no doubt that you understand that most of these questions are urgently relevant to SMEs and SMPs. But the imperative for all of us is creativity and flexibility. Using digital tools is a good place to start. Inventory observation, for example, cannot proceed in-person when lockdown orders keep auditors from visiting their clients. But some auditors might be able to video conference into their clients' facilities to check inventory remotely.

Of course, the example I have just raised is quite narrow compared to the broader issues we must consider. There might be dead-ends—things we find we cannot do right now, and that must be postponed. These will be important issues to define and raise with clients and with regulators as soon as possible, as they will substantially affect audit opinions. IFAC is working with firms, member organizations, and all others in the IFAC network to address these points.

The urgency and scale of the COVID-19 crisis is exceptional and heightens pressure on committing financial statement fraud and distortion, such as overstatement of revenue,

understatement of allowances and reserves, manipulation of valuations and impairments, capitalization of expenses, and margin manipulation. However, as professional accountants, our goals have not changed. A financial statement is still a financial statement, and an audit is still an audit.

In navigating the current crisis and exercising professional judgements, all professional accountants should keep at the top of mind the fundamental principles of the IESBA Code: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Helping to Achieve the Sustainable Development Goals

IFAC has been supportive of achieving the UN's Sustainable Development Goals (SDGs) and their related targets. It is on all of us to work toward achieving the SDGs: we are



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Among the 17 Sustainable Development Goals (SDGs) were established by the United Nations, IFAC outlining eight SDGs in which accountants can make a difference. These are SDG 5 - Gender Equality, SDG 8 - Decent Work and Economic Growth, SDG 9 - Industry, Innovation, Infrastructure, SDG 12 - Responsible Consumption & Production, SDG 13 - Climate Action, SDG 16 - Peace and Justice and Strong Institutions, and SDG 17 - Partnerships for the Goals

IFAC commits to work with the global profession to build the knowledge and capacity of accountants to meet the SDGs. Especially regarding SDG 13 -



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Climate Action, the profession, whether in developing or developed nations, must act with its full force.

IFAC is also committed to speaking out as the global voice on climate action on behalf of the accounting profession, working through the B20, G20, and the OECD. IFAC also recently published its own "point of view" on climate action.

As ICAI is doing important work to elevate the profession and drive toward the SDGs, I urge you to gear up for this commitment.

Challenges in Public Sector Accounting and Transparency

Nearly every nation has been committing to a dramatic expansion of their fiscal policy to help support people's daily lives and to keep their economies afloat. In this unparalleled environment, public sector accounting and the role of accountants in supporting transparency become even more critically important.

In both developed and developing nations, professional accountants need to have an outsized impact on government fiscal policy by providing transparent and reliable public financial information. The accounting profession can provide high-quality, decision-useful financial information that drives the economy forward, promotes transparency, and allows for long-term planning of businesses and governments.

Transparent, responsive, and accountable institutions are vital to manage and monitor



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today's bold public financial expansion. We know that a strong accountancy profession is correlated with lower levels of fraud, greater transparency, and higher levels of economic growth.

We must learn from each other.

Many organizations are publishing material about reporting and assurance services during the COVID-19 crisis. We have compiled much of it on IFAC's dedicated COVID-19 resources page.

We have found thought guidance from all over our network, including many content hubs hosted by member organizations with an outstanding breadth and depth of information.

Along with publishing the Small Business Continuity Checklist, we have updated our site to include online CPD opportunities shared by our member organizations that are being made available to others, including ICAI's.



In addition, your piece on “the Impact of Coronavirus on Financial Reporting and the Auditors Consideration,” for example, is a remarkably thorough and helpful document, both for its specific guidance to Indian professional accountants, and for its general comments on the impact of COVID-19 on reporting and assurance.

The World Bank and some large firms have cited this IFAC initiative as a valuable platform. The material we have curated is a true testament to the profession coming together for the common good and in the public interest. I encourage everyone to visit our page, and to explore what the accountancy profession is seeing and saying during this crisis.

This digital transition will be crucial for all PAOs in the immediate future. We must learn from each other and collaborate to cope with this unprecedented situation and lead all efforts to ensure a better future with the new and emerging technologies.

I commend ICAI for being a leader in all these discussions. ICAI has also led by example with its digitalization of member and student services. This digital

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SMPs and their SME clients are especially vulnerable to the financial and practical consequences of this crisis. As the profession is rallying to provide solutions and guides to navigating this crisis, we aim to get this information to SMPs and SMEs that might need it.

IFAC is working to facilitate the exchange of ideas. Thank you for being partners in that exchange.

I would like to emphasize that we can learn from each other’s best practices.

IFAC as the voice of the global accountancy profession is in the best position to facilitate this collaboration across the world.



No one knows when this global health emergency will subside. But in the meantime, as professional accountants we must carry on and keep sight of our goals. Our work in the public interest is more important now than ever.

Conclusion

I would like to highlight two points.

First, the digitalization in our daily life will proceed at a much faster speed. After COVID-19, there will be two categories that organizations and economies fall into: those that have been successful in adapting and making the best use of technology, and those that have fallen behind in adapting to the new environment and therefore face severe long-term difficulties.

My second point is that through this shared experience people will realize that only with collaboration can we cope with the coronavirus across the globe. As a consequence, the world will become even closer and more cooperative rather than separated and isolated.

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In 2022, Mumbai will play host to the biggest and most important occasion in the global profession's calendar. There, the ICAI be able to showcase the very best of India, and its remarkable contribution to the world-wide profession.

Your World Congress theme: Leading enlightenment. Possibilities Infinite. also sets the stage for your future. May it be your guiding light for the next 100 years!

I congratulate ICAI and its members for the Chartered Accountants’ Day and the Founding Day of ICAI and wish you every success with your career in the future. ■■■