

# The implications of Covid-19 on audits and auditors

The Independent Regulatory Board for Auditors (IRBA) has issued a newsletter relating to the Implications of the Covid-19 outbreak on audits and audit risks



Bernard Agulhas, CEO of the IRBA

"This outbreak presents an opportunity for the audit profession to reflect on the recognition of its public interest responsibility, and to demonstrate its independence and resilience to external factors. Auditors should continue to apply the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour," says Bernard Agulhas, CEO of the IRBA.

Key areas of guidance include:

- The Covid-19 outbreak may disrupt the business operations of entities and the financial reporting process may also be impacted. Auditors should proactively discuss these matters with clients to understand whether there is an impact on the client's reporting timetable and the audit processes.
- With the Covid-19 outbreak, auditors may need to reassess the risks of material misstatement of the financial statements, as the information on which the initial risk assessment was based may have changed. For audits in progress, auditors should evaluate the impact and may need to revise their risk assessments and modify further planned audit procedures in accordance with ISA 315 (Revised).
- Due to the travel restrictions and various working arrangements, auditors may have difficulties with accessing client premises to perform audit procedures; and/or may not be able to obtain the sufficient appropriate audit evidence.
- For group audits, component auditors in affected countries may encounter difficulties in obtaining sufficient appropriate audit evidence, which may cause significant delays in the completion of component audits. In addition, the group engagement team members may not be able to travel to affected countries to review the work papers of significant components. The group engagement team is, however, responsible for obtaining sufficient appropriate audit evidence to form the group audit opinion. The group engagement partner is responsible for the direction, supervision and performance of the group audit engagement.
- The Covid-19 outbreak has caused, and has a potential to cause, a significant impact on some entities' economic conditions, which may affect the assessment of the entity's ability to continue as a going concern. Auditors are responsible for obtaining sufficient appropriate audit evidence regarding, and have to conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the

entity's ability to continue as a going concern.

- Auditors may also consider the impact of events that occur after the date of the financial statements, in terms of ISA 560. Auditors may consider the financial reporting and disclosure requirements for the material impairment of assets or businesses as a result of the Covid-19 outbreak.
- Auditors may also consider the impact of Covid-19 on the auditor's responsibilities relating to accounting estimates, including fair value accounting estimates and related disclosures in the audit of the financial statement, in terms of ISA 540 (Revised).

In addition to the above areas, auditors may also consider the implications for the auditor's report.

A dedicated Covid-19 [webpage](#) has been added to the IRBA website. This will form a central repository of information that has been released both locally and internationally in relation to the outbreak and the implications on audits and auditors.

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