

COVID-19: Emerging implications to practitioners

Michael Mugasa

13th August 2020

What I will cover

1. Practice management
2. Financial reporting considerations
3. Quality and effectiveness of audits
4. Auditor reporting implications
5. Ethics and independence

Expectations not changed

During the COVID-19 pandemic, audits should continue to comply with the required standards, which may necessitate different and enhanced considerations by auditors in the current circumstances. Auditors may need to consider developing alternative procedures to gather sufficient appropriate audit evidence to support their audit opinion, or to modify the audit opinion.

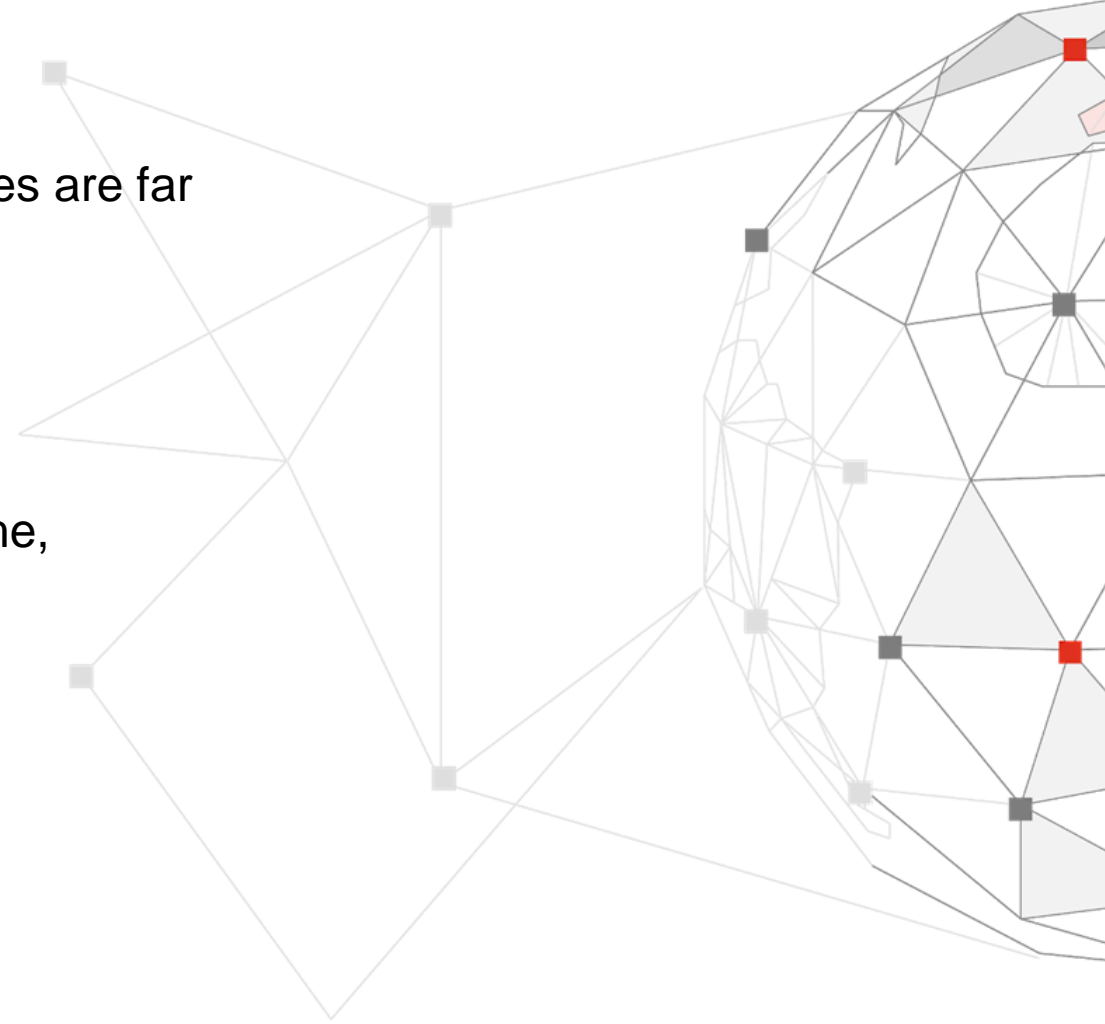
– IAASB



Practice management considerations

The potential impacts of COVID-19 on practitioners as businesses are far reaching and changing with time

- Disruption of production/cash flows
- Fees pressures from clients
- People management issues
- Operational issues – technology readiness, working from home, remote execution of audits/assignments



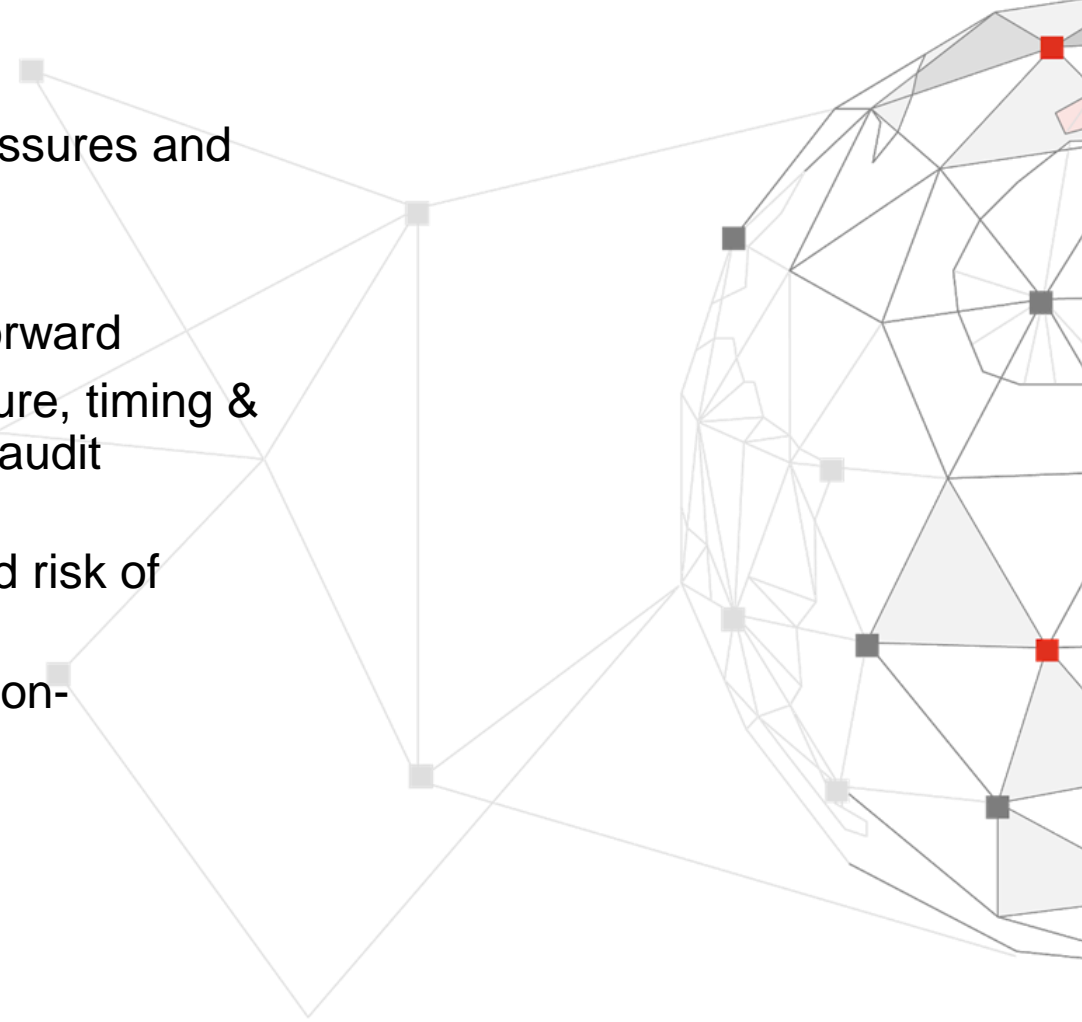
Financial reporting considerations



- Going concern assessments
- Goodwill and intangible asset impairment
- Impairment of tangible assets
- Expected credit loss provisions
- Inventory obsolescence/waste
- Debt covenant compliance
- Compliance with borrowing covenants
- Contractual liabilities – provisions and contingencies
- Non-compliance with laws and regulations

Quality and effectiveness of audits

- Fraud risks, including consideration of new incentives, pressures and opportunities
- Cybersecurity risks relevant to the audit
- Professional skepticism – significant uncertainty looking forward
- Professional judgment – scoping & planning of audits; nature, timing & extent of audit procedures; evaluation of overall impact of audit evidence on auditor's report
- Internal controls assessments – remote working; increased risk of fraud and management override of controls
- Assessment of post balance sheet events – adjusting vs non-adjusting; related disclosures



Auditor reporting implications



For entities that are materially affected by the COVID-19 situation, there are a number of ways that the auditor's report might be affected as one or more of the following may be required in accordance with the reporting ISAs:

1. Modifications to the auditor's opinion due to material misstatements or an inability to obtain sufficient appropriate audit evidence (ISA 705)
2. Inclusion of key audit matters (ISA 701) (for listed entities and others that apply ISA 701)
3. Addition of an emphasis of matter paragraph (ISA 706)
4. Inclusion of a going concern material uncertainty section (ISA 570)

Ethical and independence considerations



1. Remain alert to new information and changes in facts and circumstances
2. Fear, concerns and anxiety may put pressure on businesses and people and reduce their objectivity and integrity
3. Confidentiality may be impacted by the virtual mode of communication
4. Be alert to new laws and regulations
5. Professional competence remains paramount – although we can't attend training in classrooms we should take up the virtual options made available
6. Pressure on fees while maintaining professional due diligence

Thank you

pwc.com

© 2020 PwC. All rights reserved. Not for further distribution without the permission of PwC. “PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm’s professional judgment or bind another member firm or PwCIL in any way. 715220-2020