

**COVID-19: HIGH-QUALITY AUDITS AND ITS IMPLICATIONS FOR REPORTING
DEADLINES**

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We find ourselves in unprecedented and challenging times. Events relating to COVID-19 are having a significant impact on entities' operations, including their financial and regulatory reporting, which, in turn, impact on auditors. The purpose of this communication is to encourage auditors, supported by the management of the entities they audit and those charged with governance, to exercise caution in finalising audits during the rapidly changing circumstances created by the COVID-19 crisis.

The IRBA reminds auditors that the current situation should not undermine the performance of high-quality audits. Auditors should continue to apply the auditing standards, together with the relevant ethical requirements. In the current circumstances, additional time may be required to complete audits, even if the entity's reporting deadlines need to be extended. It is therefore important that auditors communicate with their clients on a timely basis any impediments to completing the audits, reporting issues and/or risks to the achievement of deadlines.

While stakeholders rely on trustworthy information provided by audited entities, the COVID-19 crisis means that the basis on which entities are planning and reporting is changing rapidly. Therefore, it is important that entities give due consideration to these present challenges in preparing their financial statements and disclosures. The reality, though, is that observing timetables set before this crisis arose may not give entities the necessary time to do this, and coupled to the practical challenges of conducting an audit, may not give their auditors appropriate time to conduct a high quality audit.

The flow of high-quality, independently assured information to support the functioning of capital markets remains fundamentally important to meet the needs of the intended users of the audited financial statements, both now and after the crisis. To be able to provide reasonable assurance, the auditor is required to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level, thereby enabling the auditor to draw reasonable conclusions on which to base the auditor's opinion. Therefore, maintaining audit quality during the audit of financial statements is important to meet the needs of the intended users of the audited financial statements as well as retain confidence in the auditor's opinion.

Other COVID-19 guidance for auditors

Auditors are referred to the [IRBA website](#) where a repository of local and international guidance on the implications of COVID-19 in relation to audits of financial statements has been created.

The IRBA newsletters on the [Implications of the COVID-19 Outbreak on Audits and Auditors](#)

and [The Impact of COVID-19 on the Auditor's Report: Going Concern](#), issued on 20 March 2020 and 16 April 2020 respectively, are also included in this repository.

The IRBA may issue further guidance, when necessary, as the situation develops.

Audit Quality

In terms of the International Auditing and Assurance Standards Board's (IAASB) Framework for Audit Quality, *A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality*, the objective of an audit of financial statements is for the auditor to form an opinion on the financial statements, based on having obtained sufficient appropriate audit evidence about whether the financial statements are free from material misstatement; and to then report in accordance with the auditor's findings. During this time, auditors are reminded of the importance of engagement teams that:

- ***Exhibit appropriate values, ethics and attitudes***

Auditors should continue to apply the fundamental principles of integrity; objectivity; professional competence and due care; confidentiality; and professional behaviour. Auditors should continue to be independent of the entity both in mind and in appearance.

The auditor should continue to apply professional scepticism and exercise professional judgement in planning, performing and concluding on an audit of financial statements.

- ***Have sufficient knowledgeable, skilled, and experienced engagement team members and have sufficient time allocated to perform the audit work***

The audit engagement partner is responsible for being satisfied that the engagement team collectively has the appropriate competences and sufficient time to be able to obtain sufficient appropriate audit evidence before issuing the audit opinion.

In light of COVID-19 and having to work remotely, appropriate teamwork and the training of less experienced members of the engagement team to clearly understand the objectives of the assigned work should be ensured. Sufficient time should be allocated to perform the audit work as well as the review of audit work.

- ***Apply a rigorous audit process and quality control procedures that comply with law, regulation and applicable standards***

The engagement partner is required to take responsibility for the overall quality on each audit engagement to which that partner is assigned.

The auditor is required to comply with all ISAs relevant to the audit. An ISA is relevant to the audit when the ISA is in effect and the circumstances addressed by the ISA exist.

- ***Provide useful and timely reports***

The auditor is required to conclude whether sufficient appropriate audit evidence has been obtained. In forming an opinion, the auditor is required to consider all relevant audit

evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements.

Due to the current crisis, the auditor is presented with numerous factors that might present challenges on whether sufficient appropriate audit evidence has been obtained to enable the auditor to draw reasonable conclusions on which to base the auditor's opinion, and thereby perform a quality audit. Examples of the numerous challenges include limitations on the physical verification of inventory and other physical assets; being unable to obtain external confirmations; and an inability to obtain audit evidence and/or review the work of component auditors in an audit of group financial statements.

- ***Interact appropriately with relevant stakeholders***

During these challenging times, it is of utmost importance for the auditor to communicate with those charged with governance and provide them with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process. This may include communicating any significant difficulties that have been encountered and are still being encountered during the audit, and any circumstances that affect the form and content of the auditor's report. The auditor and those charged with governance should, if necessary, reconsider the financial reporting timelines; and if the entity is regulated, they should engage with the relevant regulator(s) in that regard.

Auditors and those charged with governance should also consider the needs of users of the financial statements and whether a delay in the issuance of the financial statements would be acceptable or viewed as unacceptable by the users of the financial statements. If the issuance of the financial statements is delayed unreasonably, that might mean that the users of the financial statements will be deprived of the information they need during that extended period, and that may not be in their best interests.

The auditors should encourage issuers, management and those charged with governance to consider requesting extensions from the relevant regulators should it be necessary. Regulated entities, listed entities and entities in the public sector may already have been given mechanisms to apply for such extensions. Other entities may also need to reconsider their deadlines, while continuing to adhere to the requirements of relevant legislation, such as Section 30 of the Companies Act 71 of 2008.

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About the IRBA

The IRBA is a public protection statutory body established to protect the financial interests of the public by ensuring registered auditors and their firms deliver services of the highest quality. It upholds audit firm independence to ensure that audit quality is such that it enhances the

accuracy and credibility of financial performance reporting. In this way, the IRBA has an important role to play in building the reputation of South Africa as an investment market for both local and global investors and driving economic growth for the country.

The IRBA also registers suitably qualified accountants as auditors, who must adhere to the highest ethics standards; and promotes the auditing profession through the effective regulation of assurance conducted in accordance with internationally recognised standards and processes.