

Implications of the COVID-19 outbreak on audits, audit firms and regulatory requirements

Provisions for the period 27 March 2020 to 16 April 2020 'Lockdown Period'

On the 15th of March 2020, the President of the Republic of South Africa declared the COVID-19 outbreak to be a national disaster, and on 23rd of March 2020 the President declared certain lockdown provisions for the period 27 March 2020 to 16 April 2020. The IRBA appreciates that these announcements and the prioritisation of the health and safety of our people will have a major impact on the operations of audit firms and the conduct of audits.

The IRBA is in continuous discussion with other regulators regarding any extensions which they may have granted and understand that any arrangements which are made by these regulators and the IRBA are subject to the appropriate authorisation. The IRBA will support any authorised extensions where these will assist auditors in consistently delivering high quality audits, and we encourage auditors to monitor any communications issued by other regulators. The IRBA will also make these available on a dedicated webpage on the IRBA website at <https://www.irba.co.za/guidance-for-ras/general-guidance/covid-19>.

Registered Auditors should continue to apply the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional and ethical behavior, as well as comply with the International Standards on Auditing based on the guidance issued by the IRBA on 20 March 2020.

This newsletter addresses implications and considerations with regards to the business and operations of auditors and audit firms, as well as their interactions with the IRBA. The newsletter includes arrangements in respect of extensions granted for submission of certain information during the Lockdown Period.

This newsletter does not address matters related to health and disease; auditors and audit firms should refer to official announcements and advice from relevant authorities in this regard.

Implications of COVID-19 on auditors and audit firms

During the Lockdown Period, the firms are urged to ensure that the firm and its personnel comply with professional standards and applicable ethics, legal and regulatory requirements and that all reports issued by the firm or engagement partners are appropriate in the circumstances.

Human Resources

The firm should ensure that sufficient planning is made to accommodate employees for upcoming examinations and exam commitments taking into consideration the suspension of classes by tertiary institutions after the President's declaration of a national disaster.

Further matters which should be considered:

- Firms should consider issuing clear communication to employees, which is essential to maintain contact and transparency with employees. Firms should consider sharing the details of the actual and possible future business impact of the COVID-19 outbreak;
- Firms should adhere to the Government's restrictions on travel, which is banned between provinces, across borders to neighboring states and internationally; and
- Firms should consider addressing issues related to:
 - Remote working arrangements;
 - Reduced hours employment arrangements;
 - Leave without pay; and
 - For contractors, review contract terms to determine the rights and obligations of the respective parties.

Legal and regulatory deadlines

The firm should ensure that it complies with all legal and regulatory requirements and deadlines, unless different arrangements have been made by the relevant regulators.

Further matters which should be considered:

- For companies, auditors should ensure that the Annual Financial Statements are prepared and submitted within six months after the end of its financial year as required by section 30 of the Companies Act, unless different arrangements are communicated by the Companies and Intellectual Properties Commission for the Lockdown Period.
- Firms should ensure that all relevant statutory requirements are complied with by the firm and audit clients in terms of all regulations and legislation, subject to different arrangements having been made by the relevant regulators during the Lockdown Period,
- Firms should ensure that they are up to date on pronouncements issued by all other relevant regulators e.g. the JSE Ltd, FSCA and SARB.
- Auditors may also need to consider any reporting obligations that may arise from challenges posed by COVID-19, for example, missed deadlines may trigger an obligation to report Reportable Irregularities in terms of section 45 of the Auditing Profession Act, 2005. ***Please refer to the separate section below regarding the calculation of days during the Lockdown Period.***

- Firms should consider if there is any non-compliance with laws and regulation (NOCLAR) per Section 360 of the IRBA Code of Conduct.
- Auditors should ensure that they keep up to date with new legislation, temporary pronouncements by government and other regulators, and their effective dates.

Business Operations

The firm should conduct their operations in a manner that will ensure that it protects its employees, clients, suppliers and other stakeholders against infection risk.

Further matters which should be considered:

- Firms should consider how the availability of HR teams via alternative arrangements may impact business operations;
- Firms should consider how the outbreak will affect the firm's billing and cash-flows;
- Firms should consider client information privacy and confidentiality when using alternative online communications;
- Firms should ensure that there is a business continuity plan in place; and
- Firms should consider the most effective and efficient ways to continue communications with its clients, regulators and other stakeholders.

Annual Assurance Work Declarations

Registered auditors are hereby reminded, as per our communique issued on 1 February 2020 and the reminder sent 6 March 2020, that the annual assurance work declaration and firm related information for 2020 are almost due for submission. The submission process for this information should be done online, on the IRBA website. The deadline for submissions was 31 March 2020. **The deadline for these submissions has been extended to 30 April 2020.**

Annual Registration Fees

Section 8 of the APA gives the IRBA the power to determine fees payable to it, in respect of the performance of some of its legislated functions, as well as its performance of any other service.

The IRBA fees for 2020/21 were approved by the Board and will be **effective from 1 April 2020**. [Click here to view the 2020 fee schedule.](#)

The annual renewal registration fees for RAs and tax practitioners registered with the IRBA are payable by **31 May 2020**. These fees can be paid on the IRBA website once RAs have logged on.

Audit Quality Indicators (AQI) Submissions

The deadline for AQI submissions was 30 April 2020. The deadline for these submissions has been **extended to 31 May 2020**.

Reportable Irregularities

Section 45 of the Auditing Profession Act, No. 26 of 2005, requires auditors to report reportable irregularities to the IRBA and provide their clients with 30 days to respond to the auditor's first report.

We appreciate that the client as well as the auditor may have difficulty in obtaining the required information to respond to the reportable irregularity and the IRBA has therefore determined that for the Lockdown Period, the calculation of the 30 day period is suspended as of 27 March and will continue following the Lockdown Period. For example, if the RI reporting process is on day 14 at the commencement of the Lockdown Period, the first working day after the Lockdown Period will be considered day 15.

Inspections

As part of our mandate, it is vital that the IRBA continues with inspections. The IRBA has decided that the inspections team will continue to conduct all inspections remotely as of 18 March 2020 until further notice, and all necessary arrangements have/will be made with the affected firms.

Visits of the IRBA Education Department [related to the Audit Development Programme (ADP)]

The IRBA has decided to suspend all in-person ADP-related visits and affected parties will be contacted directly for alternative arrangements using technology.

IRBA 2019 CPD monitoring

Registered Auditors who have been selected as part of IRBA's 2019 CPD monitoring procedures, are advised that the due date for submission of verifiable CPD activities has been **extended to 30 April 2020**.

Responses from auditors to the Investigating Committee letters issued on 13 March 2020

The IRBA has decided to extend the deadline for a response to the Investigating Committee letters issued to respondents on 13 March 2020 to **11 May 2020**.

Applicability

The above arrangements are only applicable for the current year where submissions are due annually, and all other arrangements will only apply while the country is in the Lockdown Period.

Should there be further developments which affect the above arrangements, the IRBA reserves the right to issue further pronouncements.

For any queries regarding the above, please do not hesitate to contact us on board@irba.co.za.

Bernard Peter Agulhas
Chief Executive Officer

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.