



Guidance on COVID-19 (Novel Coronavirus)

Given recent epidemiological developments, Service for Accounting, Reporting and Auditing Supervision (SARAS), has released the following Guideline in response to the challenges that may be confronted by statutory auditors and audit firms, as a result of the **COVID-19 coronavirus pandemic**.

As the degree of **uncertainty** regarding the outlook for the new COVID-19 coronavirus remains high, resultant economic impact, which will depend on the **duration**, **severity** and **spread** of the disease, is a major cause for concern both internationally, as well as locally.

In light of the evolving situation as it is described by the relative competent authorities and as the mission of SARAS is to promote audit quality, we draw the attention of statutory auditors and audit firms to the following points to comply with the relevant professional standards:

- **The auditor's risk assessment** and whether it needs to be revised;
- The need to understand how the management of audited entity assesses the impact of current circumstances on **customers, supply chain and employees**, including the possibility for the employees to work remotely, considering the business model of the entity. Management should also consider how long the entity could survive given the availability of cash resources;
- The auditor's assessment of **going concern** and the prospects of the audited entity;
- The need for the auditor to **reassess key aspects** of their audit as a result of the fast-changing situation. This reassessment will take place right up to the point of signing the auditor's report, and may require management to provide further evidence and information;
- Where the current circumstances have had a significant impact on the delivery of the audit, the auditor will need to consider how to explain this in their report, for example, by reporting this as a **key audit matter**;
- How the auditor gathers sufficient and appropriate audit evidence, recognizing that the planned audit approach may need to be changed, and alternative procedures developed, particularly in **group audit engagements**;
- The adequacy of **disclosures** made by management about the impact of COVID-19 on the entity in its 2019 financial statements. Although the spread of coronavirus is a **non-adjusting event**, events after the reporting date may provide additional and significant information about the uncertainties that existed at that date.

Auditor engagement with entities

It is crucial that auditors:

- Maintain continuous engagement with the entity, directors and the audit committee **on the impact of COVID-19 on the entity and its financial reporting**. This should include any impact on the auditor (such as employee restrictions, and any issues with the group auditor);
- Set clear expectations for the level of disclosure (both qualitative and quantitative) relating to the impact and risk of COVID-19 on the company, and **the impact of insufficient disclosure on the audit opinion**;
- Communicate early and clearly the possible impact of COVID-19-related restrictions on obtaining required audit evidence; Explain **the type of audit opinion** that may be considered **if sufficient and appropriate audit evidence cannot be obtained**.

After ensuring the safety and well-being of staff, your focus as an auditor during the COVID-19 pandemic should remain on providing investors with reliable audited information.

In view of the above and also considering that additional audit work may be required to complete the audit work, it is important that, if necessary, the time to be given to auditors.

SARAS is in constant communication with the oversight authorities of member states of International Forum of Independent Audit Regulators (IFIAR) as well as the audit profession. We are closely monitoring and evaluating all current developments and will take necessary measures, as deemed appropriate.

