

Pandemic Planning – Practical Considerations Supporting Audit Quality

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Pandemic Planning – Practical Considerations Supporting Audit Quality

Participants

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Pandemic Planning – Practical Considerations Supporting Audit Quality

- Overriding objective is to perform a quality audit
- Need to consider impact on:
 - Profession
 - Network
 - Firm
 - Engagement

Impact on the Profession

Short Term

Meeting annual CPD requirements

Clarity from regulators – filing deadlines

Ability to firms to appropriately support the profession

Long Term

Implications on implementation of ISQM 1 and 2, ISA 220, 315, 600

Impact on the Network Firm

Short Term

Global inspection process

Global learning

International relationship check
process

Managing cash flow

Communications on key messages

Long Term



Impact on the Firm

Short Term

Internal inspection process

Resource management

Technology infrastructure

Managing current year new recruits

Managing cash flow

Long Term



Impact on Individual Engagements

Audit Approach

Key auditor's judgements

Reassess previous judgements made during earlier phases of the audit

Areas impacted could include

- Audit risks (identification and assessment)
- Materiality
- Need for EQCR
- Use of experts
- Communications with TCWG

Impact on Individual Engagements

Audit Approach

Risk identification and assessment

Consider practicalities of obtaining necessary level of understanding

The auditor will need to determine how practicable it will be to obtain an appropriate level of understanding, and to perform evaluations relating to audit risk identification and assessment.

This may be particularly challenging for new clients or for existing clients who have undergone significant change since the prior audit.

Impact on Individual Engagements

Audit Approach

Potential limitations of scope (LoS)

Availability of audit evidence

Key areas to consider include:

- Access to books and records
- Attendance for inventory observation
- PP&E verification
- May need to consider alternative audit procedures
- Consider impact of LoS on audit opinion
- Consider whether engagement terms have been agreed

Impact on Individual Engagements

Audit Approach

Quality of audit evidence

Impact to audit evidence from switching to a remote audit from a traditional on-site approach

- Reliability
- Completeness

Inventory

- Video

Impact on Individual Engagements

Audit Approach

Going concern

Going concern assessments will need to be continuously updated as Covid-19 circumstances evolve

- Design audit procedures appropriate to the circumstances
 - Consider updated business plans and revised assessment of availability of funding
- Audit going concern assessment should be current up to date of signing audit opinion
- COVID-19 being an event or condition

Impact on Individual Engagements

Audit Approach

Valuations

Accuracy of measurement of assets and liabilities whose values may be significantly affected by Covid-19

Areas impacted may include

- Inventory obsolescence
- Provisions for doubtful receivables
- Provisions for liabilities for claims / refunds
- Financial instruments
- Investments
- Pension assets and liabilities
- Deferred tax assets

Impact on Individual Engagements

Audit Approach

Taxation

Added complexity from current circumstances

Group audit considerations

Subsequent events

There may be complexities for treatment of transactions that are unusual or one-off in nature, including application for tax relief.

- Component audits should be properly planned and conducted in response to the changed circumstances
- Impact on review of component auditor work papers, if necessary
- Design procedures which are appropriate to the current circumstances.
- Consider impact where client obtains extension to filing deadline.

Impact on Individual Engagements

Audit Approach

Adjusting / non-adjusting events

Judgement may be required in determining whether or not the effects of Covid-19 represent an adjusting or non-adjusting event.

Revenue recognition / government grants / contingent assets

- May be situations where an entity applies for government support for lost earnings. Need to assess accounting treatment and presentation.
- Consider also increased levels of insurance claims at assess accuracy of accounting treatment.

Impact on Individual Engagements

Audit Approach

Presentation and disclosure

Presentation and disclosures will need to be prepared to appropriately describe current circumstances, including sufficient description of relevant risks, estimates and judgements applied.

Audit opinion

- Consider impact on Key Audit Matters
- Increased likelihood of some form of modification

Impact on Individual Engagements

Audit Approach

Client acceptance / continuation

Continue reassess whether there is a change to the client's circumstances which may affect previous decisions on client acceptance / continuance.

Initial audits

- Review of predecessor workpapers to obtain evidence over opening balance
- Obtaining a sufficient understanding of the entity to identify and assess risk of material misstatement

Practicalities of Remote Audit Approach

Audit evidence

Adopting a remote audit approach may affect timeliness of receipt of audit evidence

Consider timeliness of receiving audit evidence, including from external third parties, e.g:

- Bank confirmations
- Debtor / creditor confirmations
- Legal letters
- Expert's reports

May need to consider alternative procedures

Practicalities of Remote Audit Approach

Audit evidence

Electronic / digital evidence format of evidence

- Obtaining evidence in an electronic/digitized format may present new challenges to the auditor e.g:
 - Reliability of evidence – has it been manipulated? How can its authenticity be verified?
 - Security – does audit firm have a policy in place around security of client data, including GDPR risks?
 - Storage – increased volumes of electronic information may place a strain on laptops or servers

Practicalities of Remote Audit Approach

Project Management

Hold remote audit planning meetings within the audit team and with the client
Prepare a communication plan

Coaching and supervision

Ensure that the senior members of the audit team have developed an effective plan to provide an appropriate level of coaching and supervision to junior staff.

Comms with Management & TCWG

Agree on appropriate alternative means of communication to those key client contacts that are typically met face-to-face.

Practicalities of Remote Audit Approach

New joiners

Ensure appropriate an onboarding process is provided for those members of the audit team that are new to the firm.

Covid 19 / Remote working – learning and development

- Consider training needs of audit staff.
- Prepare appropriate online training solutions addressing current circumstances.
- Staff well being

Practicalities of Remote Audit Approach

Filing deadlines

- Discuss with client the practicalities of achieving filing deadlines.
- Agree on changes to audit plan where deadlines have been extended.
- Consider impact from loan covenants to going concern status around missing or extending filing deadlines.

AGMs

Agree with client on arrangements for the AGM.

What can we do to help?

Suggestions

- Weekly / biweekly calls with FoF/Founder/Non-founder firms to discuss on going issues
- Consistency of approach across profession
- Suggested publications
- Others?