Financial reporting and audit issues stemming from COVID-19

A guide for Chartered Accountants in Australia and New Zealand

CHARTERED ACCOUNTANTS™
AUSTRALIA + NEW ZEALAND

DIFFERENCE MAKERS™

About this guide

Through natural disasters and a global pandemic, Chartered Accountants (CAs) have stepped up in the past year to support their employers, clients and the wider community. Collectively, their contribution has helped thousands of businesses, charities and other institutions remain afloat, ensuring millions of workers remain employed and vulnerable people keep their heads above water.

While the global COVID-19 health crisis – and its financial contagion – will continue to affect Australia and New Zealand, CAs will be at the forefront of economic recovery. At Chartered Accountants ANZ, we will be with our members every step of the way, providing:

- **Advocacy:** Engaging with regulators, government and standards setters to advise them of the challenges CAs face as well as the contribution CAs can make to the economic rebuild.
- **Connectivity:** Enabling CAs to stay in touch and share their knowledge, experiences and expertise with one another and their stakeholders.
- **Tools:** Helping CAs do their jobs by providing practical guidance and bringing together relevant resources, such as the document you are reading now.

Amid today's extreme economic circumstances, financial reporting and assurance provides much needed integrity and confidence in the economy, and in organisations of all sizes and sectors. This is one of the most challenging reporting periods in living memory. Much has changed in a short space of time for preparers, directors and auditors.

This guide is here to help. It highlights some of the biggest COVID-19 impacts on reporting and assurance and points CAs in the direction of relevant resources to address these.

We published this guide in July 2020. It should be read in conjunction with our dedicated online reporting hub, assurance hub, and COVID-19 hub – all of which are regularly updated to help members respond to the emerging challenges posed by the global pandemic.

This guide highlights some of the biggest COVID-19 impacts on reporting and assurance and points CAs in the direction of relevant resources to address these.

A note for auditors

The matters highlighted in this guide affect preparers, directors and auditors. Each section explains the reporting and assurance issues to consider. In this guide, we have highlighted auditor-focused material where applicable (eg with going concern and physical restrictions). Despite the pandemic, core auditing questions remain unchanged, such as:

Is it material?

Is it pervasive?

Has sufficient appropriate evidence been obtained?

And, as always, the requirements of the auditing standards continue to apply.

1. Going concern

At a glance

- Increased uncertainty and complexity in the market will prompt more preparers, directors and auditors to question the assumption of going concern.
- This section highlights the key issues to consider when assessing going concern in financial reporting.

In a typical year, most organisations don't face serious questions over going concern, but 2020 is anything but a typical year. Many more preparers and directors will be questioning going concern assumptions now.

Importantly, accountants should ensure colleagues understand the distinction between 'solvency' and 'going concern':

- An entity is **solvent** if it will be able to pay its debts when they become due and payable.
- An entity is a **going concern** unless management either intends to liquidate the entity or cease trading, or has no realistic alternative but to do so.

So, going concern focuses on forward plans and prospects in the foreseeable future for the entity (generally, a 12-month assessment), whereas solvency focuses on a specific point in time.

The going concern concept is outlined in the accounting and auditing standards. New COVID-19 guidance has been published by standards setters in both Australia and New Zealand (see section 2 of this XRB guide).

1. Going concern continued

Possible indicators of going concern challenges

The AASB and AUASB have highlighted the following possible indicators arising in the pandemic (which are relevant on both sides of Tasman) that may lead to an entity re-assessing the appropriateness of the going concern assumption:

- Temporary shut-down of operations
- Reduced demand for goods and service or other income streams, caused by
  - Restrictions and shutdowns imposed by governments, or reduction in discretionary spending by customers
  - Expectations of future restrictions that might affect future demand
  - Uncertainty surrounding the length of current or future restrictions
  - Expected changes to the 'status quo' following the pandemic (for example, possibilities of increased working from home or financial conservatism)
- Unavailability of resources necessary to continue operations, including inventory and employees
- Inability to repay borrowings, creditors, lease payments or other debts which become due during the pandemic
- Reliance on obtaining financing or credit from another company that is suffering financial difficulty due to the pandemic, or has made restrictions on lending due to the pandemic
- Breaching loan covenants
- Likelihood of financial guarantees being called upon
- Failure of other companies with similar structures and comparable operations in the same industry
- Financial difficulty or failure of debtors
- Negative equity as a result of asset impairments and/or reduced trading volumes
- Fair value losses on assets, particularly where such assets were expected to be realised in the short- term and are relied on for short-term cash management purposes
- Reliance on intercompany funding or expected support from an overseas parent or subsidiary that may no longer be available
- Additionally for not-for-profit entities
  - Termination of significant grants or other assets that were expected to be received at significantly less than fair value
  - Inability to access volunteer services due to government restrictions
  - Inability to hold major fundraising events (charity balls, sporting events, etc.)
  - Difficulties fundraising or attracting donations at expected levels due to reduction in discretionary spending
  - A government decision to wind-up a public sector entity.[1]

The flow chart on page 6 outlines the assessment considerations for going concern.

Preparers and directors should consider all of the above factors to make an assessment of whether or not an entity is a going concern. If it's not a going concern, then the financial statements must be prepared on another basis; usually a liquidation basis. If there is a material uncertainty over going concern, directors need to include a note in the financial statements that describes the material uncertainty and why, despite the uncertainty, they consider the entity to be a going concern.

1 AASB and AUASB, 2020

1. Going concern continued

Insolvency relief during COVID-19

During the pandemic, some insolvent organisations may have been granted relief from insolvent trading to effectively continue in 'hibernation,' allowing the organisations to remain a going concern. So in current circumstances, a situation may arise whether an entity is both insolvent and a going concern. (For instance, consider an entity which is in hibernation – technically insolvent on the day of signing the financial statements but with a clear, substantiated plan to emerge from hibernation and return to trading within the months that follow.) In Australia, this may impact on the solvency declaration signed with the directors report and ASIC has provided guidance dealing with declarations that highlight uncertainty in respect of solvency and making a negative solvency statement.

Note: If management determines its intention is to liquidate, the financial statements cannot be prepared on a going concern basis.

For auditors

Where there are events or conditions that cause significant doubt over going concern and a material uncertainty exists which is adequately disclosed in the financial report, the auditor must include a section with the heading, 'Material Uncertainty Related to Going Concern' (which is not a qualification) in the audit report. This serves to draw the attention of the users of the financial statements to this issue.

Note that the auditor may also modify their report if there is a disagreement with management over going concern or if there are inadequate disclosures about the material uncertainty in the financial statements.

It is important to clearly document the circumstances under which the auditor's judgement has been made. Where auditors doubt the ability of an audit client to continue as a going concern:

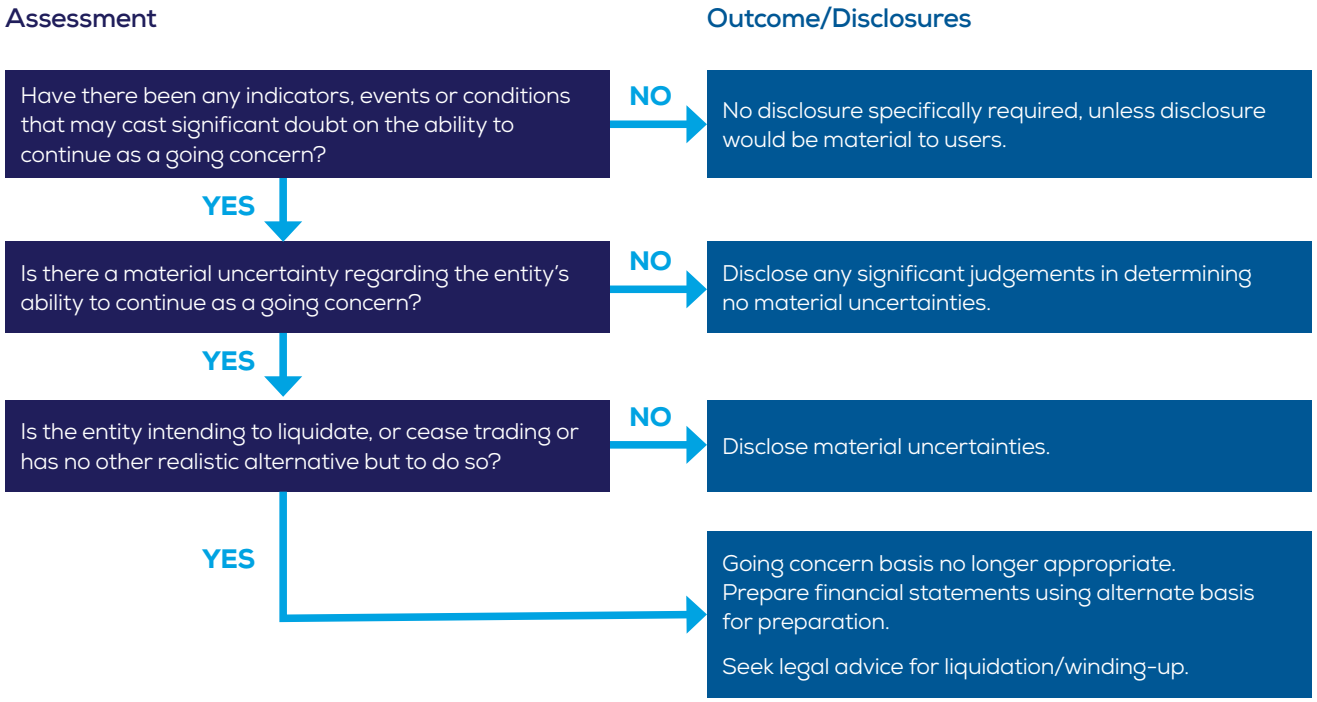
- Auditors in Australia can refer to section 7 of the AASB and AUASB guidance
- New Zealand auditors can refer to section two of this XRB auditor guidance or in general to our Q&A. The XRB also points to recent guidance by the International Auditing and Assurance Standards Board (IAASB).

Auditors in Australia have responsibilities in respect to the solvency statement signed with the directors' report, including relevant audit work and reporting suspected insolvent trading to ASIC. Australian auditors can refer to this ASIC guidance for auditors which explains how the pandemic and relief offered to directors around insolvent trading interacts with auditors' responsibilities.

Many more preparers and directors than usual will be questioning going concern assumptions now.

1. Going concern continued

Flow chart: assessing the going concern assumption



Further resources

- Chartered Accountants ANZ has produced a new video Q&A about going concern, featuring standards setters from both sides of the Tasman.
- The XRB recently published this Spotlight on Going Concern Disclosures in response to COVID-19.
- The AASB and AUASB has prepared a joint publication about the impact of COVID-19 on going concern and related assessments.
- CA ANZ has worked with the Australian Institute of Company Directors and CPA Australia to develop this guide for directors on considerations related to disclosure in the financial statements and annual report.
- Going concern assessments are explored in detail in a recent Q&A prepared by the Australian Securities & Investments Commission (ASIC).
- The same ASIC Q&A offers useful guidance on solvency statements for preparers, directors and auditors.
- The IAASB has published this audit guide to going concern in the COVID-19 environment.

2. Accounting estimates

At a glance

- A perfect storm of market factors means that accounting estimates will contain more uncertainty than usual, adding difficulty and complexity to financial reporting and auditing.
- This section highlights some important issues relating to impairment testing, asset valuations and other key estimates.

Nobel prize-winning physicist Niels Bohr once quipped that, "Prediction is very difficult, especially if it's about the future." He wasn't thinking about accounting estimates when he said that, but it still applies in this area.

As if accounting estimates weren't already complicated enough, COVID-19 has added an extra layer of difficulty. Estimates such as asset valuations, whether impairment has occurred, recoverability of receivables and expected credit losses will be calculated on assumptions made in highly volatile economic circumstances.

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Documentation and disclosure

Preparers, directors and auditors can, understandably, feel exposed when dealing with recognition, measurement and disclosures of accounting estimates. The fear is that their conclusions today will be questioned at a later date by someone who has the benefit of "20/20 hindsight."

What ASIC has to say about this is relevant on both sides of the Tasman. It says that the risk (of being found liable or deceptive in accounting estimates) is minimal provided that:

- Any statements are properly framed (eg as relying on information available at the time)
- Any estimates, assumptions or statements have a reasonable or supportable basis and have been appropriately challenged by the directors/auditors
- There is ongoing compliance with continuous disclosure obligations when events or results overtake estimates.

With all that in mind, documentation and disclosure is vital – clearly stating what information was available at the time of the estimate, and demonstrating why it is a reasonable estimate.

Other specific issues

Triggers for impairment testing of assets will be prevalent this year, given changes in the market, assets being idle due to reduced demand, and changes to forecasts and assumptions. When it comes to testing and valuation, valuers face many of the same challenges as other accountants. It's therefore important for preparers and directors to understand the disclosures around uncertainty that valuers may make – and for auditors to also understand these disclosures and consider the impact on their audits. This article by Richard Stewart OAM FCA details four key implications for valuers and the related auditor perspective.

This year's changed market dynamics may also require greater reworking of expected credit loss models. In many industries (eg retail, property, tourism) there may be a higher risk of default and therefore expected credit losses are more likely. Once again, disclosure of these is critical. IFRS 9 *Financial Instruments* includes an expected credit loss impairment model which does present some challenges.

2. Accounting estimates continued

For auditors

The AUASB has issued several FAQs on auditing accounting estimates, and points to the revised auditing standard ASA 540 Auditing *Accounting Estimates and Related Disclosures*. Though not yet effective, this does contain some enhanced practical approaches that may assist when considering accounting estimates, including:

- An enhanced risk assessment that requires auditors to obtain and understand the entity and its environment, to understand what drives the risk of material misstatement.
- A closer link between the enhanced risk assessment and the methods, data and assumptions used in making accounting estimates, including the use of complex models.
- Specific material to show how the standard is scalable to all types of accounting estimates.
- Emphasis on the importance of applying appropriate professional scepticism when auditing accounting estimate.

As always, auditors should follow current standards relating to professional scepticism. Chartered Accountants ANZ offers a training course on professional scepticism, which is highly relevant given the current challenges and uncertainties around estimates.

In New Zealand and Australia, revised auditing standards for accounting estimates is effective for periods beginning on or after 15 December 2019, with early adoption permitted. Auditors in New Zealand should refer to ISA (NZ) 540 *(Revised) Auditing Accounting Estimates* and read guidance within an *Audit considerations from the impact of COVID-19* guide from the XRB. The IAASB has also published this audit guide to accounting estimates in the COVID-19 environment.

Using the work of experts

Where management engage experts for the determination of financial statements amounts and disclosures involving complex estimates, auditors should perform appropriate procedures over the work of experts. Some key aspects auditors should consider include:

- Assessing the competence, independence and capabilities of management's expert.
- Testing the completeness, accuracy and reasonableness of significant source data used by the expert, including assessing/challenging assumptions and forecasts used by experts.
- Engaging auditor's own experts where the auditor doesn't have sufficient expertise in the subject matter. Engage and communicate with auditor's experts in a timely manner to ensure there are no gaps in the work performed by the auditor's expert.

Further resources

- ASIC offers this view on accounting estimates during the COVID-19 pandemic
- The AASB has developed new impairment guidance
- We have prepared a Q&A on leave accrual during COVID-19
- This FMA guide to accounting estimates (published in 2018) remains useful and relevant in the COVID-19 environment.
- CA ANZ has worked with the Australian Institute of Company Directors and CPA Australia to develop this guide for directors on considerations related to disclosure in the financial statements and annual report.

3. Leases and rent concessions

Given the economic circumstances, many organisations have renegotiated terms of commercial leases, to reflect falls in revenue.

The International Accounting Standards Board (IASB) as well as Australian and New Zealand standards setters have responded by easing one of the key reporting challenges for preparers. This follows advocacy by the profession internationally, including our submission.

The IASB has issued an amendment to IFRS 16 *Leases* giving lessees an option not to assess whether a particular COVID-19 rent concession is a lease modification. This option avoids the substantial time that may be involved in accounting for the lease modifications as if it was a new lease, effectively starting from scratch when it comes to all the related estimates and processes. Instead, preparers can account for the reduction in lease payments as a negative variable lease payment through the P&L of the organisation, disclosing that the option has been applied and the applicable P&L amount.

This simplification is welcome news for accountants, though it should be noted that it comes with a few conditions.

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- The change in lease payments results in a revised consideration that must be the same or less than the consideration for the lease that immediately preceded the change.
- The lease payments relate to payments that were originally due on or before 30 June 2021.
- There is no substantive change to the other terms and conditions of the lease.

Finally, a word of caution: The default settings of most accounting software assumes that rental fees remain unchanged from month-to-month. If an organisation negotiates a temporary adjustment in rent, it's obviously essential that this is adjusted accordingly in relevant software and formulas.

For auditors

Where lease arrangements have been agreed, audit evidence becomes all important. Auditors will need to obtain evidence of any arrangements that offer rent concessions from landlords, and document the conditions of the relief are met. For example, by sighting correspondence between the entity and its landlord.

At a glance

- This section explains amendments to standards that simplify accounting for rent concessions during the COVID-19 pandemic.

Further resources

- The IASB's amending standard on COVID –19 Related Rent concessions has been issued by the NZASB as an amending standard and by the AASB as AASB 2020-4. Both standards apply for reporting periods beginning on or after 1 June 2020.
- Australia's federal government has published guidance to assist government entities in meeting IFRS 16 obligations.
- Chartered Accountants ANZ published Aletta Boshoff FCA's summary of the new IFRS 16 last year, prior to the COVID-19 amendments.
- In Australia, the National Cabinet has outlined 14 leasing principles that should be applied as soon as practically possible, on a case-by-case basis.
- Both Australia and New Zealand currently have eviction moratoriums effective for an initial six months from March 2020 onwards. New Zealand and some Australian states and territories have also issued a freeze on rental increases.

4. Subsequent events

At a glance

- In the dynamic environment, there are likely to be business developments after year end. Some may be subsequent events that impact disclosures/numbers in the financial report.
- This section explains how to identify and consider subsequent events.

The dizzying speed of change at present has increased the likelihood that subsequent events will need to be accounted for in financial reports.

Subsequent events refer to significant activities or happenings that occur between the balance date and the signing/issuing of the financial statements. There are two types of subsequent events:

- **Adjusting subsequent events** are those that provide evidence of conditions that existed at balance date (accounting standards require amounts in the financial report to be adjusted).
- **Non-adjusting subsequent events** are those that are indicative of conditions that arose post-balance date (accounting standards do not require amounts in the financial report to be adjusted, but do require disclosures if the amounts are material).

Given the pace of change in the pandemic, it is more likely that changes after balance date will qualify as an adjusting or non-adjusting subsequent event this year. As a general guide:

- **December 2019 balance dates:** These are likely to include non-adjusting subsequent events where the pandemic has had a significant impact in 2020
- **June 2020 balance dates:** Overall, preparers can't treat the entire COVID-19 pandemic as a subsequent event but it's important to be vigilant about what other subsequent events might be occurring as conditions and government policies shift
- **February, March, April, May balance dates:** These are the challenging middle ground as the pandemic was in various stages of emergence. It is likely that there will be some adjusting and some non-adjusting subsequent events.

As outlined in section 6 of this guide, regulators and standards setters have extended lodgement dates. Where entities avail themselves of these extensions, this will extend the subsequent events period.

Subsequent events refer to significant activities or happenings that occur between the balance date and the signing/issuing of the financial statements.

4. Subsequent events continued

For auditors

- Under ISA (NZ) 560 and ASA 560, the auditor must obtain audit evidence about events occurring between the date of the financial report and the date of the audit report (assessing whether or not they are appropriately reflected in the financial report, if they require adjustment or disclosure).
- Where entities take advantage of extended lodgement dates, this may extend the period from the end of financial year to the date of the auditor's report. Auditors need to consider the entire period between those dates and perform appropriate subsequent events procedures.
- For details and guidance in Australia, see QB4.1 and QB4.2 in the joint AASB and AUASB report *The Impact of Coronavirus.* For New Zealand, see *Audit considerations from the impact of COVID-19* guide from the XRB. The XRB also points out this guidance from the IAASB.

Further resources

- Chartered Accountants ANZ has produced a video Q&A about subsequent events, featuring standards setters from both sides of the Tasman. We have also prepared this Q&A for subsequent events.
- The XRB website includes NZ IAS 10 Events after the Reporting Period.
- The AASB website includes AASB 110 Events after the Reporting Period.
- The AASB and AUASB have jointly published guidance to assist in reporting and auditing subsequent events (see pages 9 and 10 of *The Impact of Coronavirus guide*).

5. Government relief packages

There is a range of government support available currently, including wage subsidies, loan schemes, grants, and stimulus packages.

New Zealand organisations may be entitled to:

- Wage Subsidy
- COVID-19 Leave Support Scheme

New Zealand's Inland Revenue department has published this guidance about wage and leave subsidies, income and provisional tax, temporary loss carry-back, R&D tax credits and GST responses to COVID-19.

Australian organisations may be eligible for:

- JobKeeper wage subsidy
- ATO temporary cash flow boost
- Coronavirus SME Guarantee Scheme
- Relief for commercial tenants

For the most part, these packages are accounted for as government grants. For government payments that replace employee wages, the standards setters have advised against offsetting wages against salaries expenses (so that users of financial statements, such as investors, get a clearer picture of the organisation's status).

The AASB has published these frequently asked questions which tackle accounting for government support. These deal with a variety of reporting issues including standards relating to for-profit vs not-for-profit entities; offsetting vs not offsetting the receipt of grant funds against wages; and the timing of recognition of the payments.

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At a glance

- Governments on both sides of the Tasman have offered a variety of grants and relief packages for organisations impacted by the pandemic.
- This section highlights reporting considerations for these grant and relief payments.

For auditors

Auditors need to obtain evidence that government relief has been appropriately treated in financial reports. As the eligibility for relief schemes is generally based on changes in revenue figures, this includes considering whether clients have met these requirements.

Further resources

- Chartered Accountants ANZ has compiled a comprehensive summary of government assistance currently available in Australia and New Zealand.
- The AASB has also published a frequently asked questions guide to accounting for government support.

6. Lodgement date relief

At a glance

- This section outlines key details of relief offered by regulators and standards setters, in response to reporting challenges during the pandemic.

During the COVID-19 pandemic, Chartered Accountants ANZ has worked closely with members, regulators and standards setters to ensure there are reasonable expectations around lodgement dates. In many cases, reporting extensions have been granted. Below highlights some of these.

New Zealand

FMA

The FMA has granted two class exemption notices to provide market participants with an additional two months to provide their audited financial statements and comply with certain other regulatory requirements. Generally, the exemptions apply for businesses with balance dates on and after 31 December 2019 and before 1 August 2020. Read more on the FMC website.

NZX

The NZX has granted a Class Waiver for NZX listed entities with balance dates between 30 September and 31 July to allow an additional 30 days to prepare and release results announcements, including preliminary interim and full-year financial statements (i.e. 90 days, rather than 60 days). It is also providing an additional two months to prepare and release annual reports, including audited financial statements (i.e. five months, rather than three months). Find out more on the NZX website.

Charities Services

It will not take action on any late annual returns and performance reports/financial statements, but it is asking charities to make contact to request an extension of time if the usual requirement of six months is not achievable. It will also not take compliance action against charities that breach their rules by not holding an AGM. Read more on the Charities Services website.

Companies Office

It will not take any action to remove entities from its registers or take any enforcement action for non-compliance with filing during these times. The Companies Office is the registrar of several types of entities, including companies, incorporated societies, retirement villages and friendly societies. Read updates on the New Zealand Companies Office webpage.

Real estate trust accounts

Final trust account auditor's reports are due by 14 July. The Real Estate Authority (REA) is asking auditors that will not be able to meet this deadline to make contact, with details of the circumstances and the date that the auditor's report can be provided. Read more on the REA website.

Schools

The Ministry of Education (MoE) will not penalise schools if they are unable to submit their audited annual financial statements on time (due 31 May). The Office of the Auditor General is talking to relevant agencies, including the Treasury, about what the current circumstances mean for everyone and how they affect the usual accountability obligations of public entities, including schools. Read more on the MoE website.

This information was accurate as of 1 July 2020. See the Chartered Accountants ANZ website to view a continuously updated list of reporting and audit extensions.

6. Lodgement date relief continued

Australia

ASIC

It has extended the deadline for unlisted entities to lodge financial reports by one month for balance dates from 31 December 2019 to 7 July 2020. Listed entities will also be able to take one additional month to report for full year and half-year financial reports for 21 February 2020 to 7 July 2020 balance dates.

It has also adopted a 'no-action' position where public companies do not hold their AGMs within five months after the end financial years that end from 31 December 2019 to 7 July 2020, but do so up to seven months after year-end. For public companies with 1 June 2020 to 7 July 2020 year ends, the 'no action' position also applies where holding an AGM in January or February 2021 results in the requirement to hold an AGM in the 2020 calendar year not being met.

It continues to assess the impact on balance dates after 7 July 2020. Read more on the ASIC website.

ASX

The ASX has issued a class waiver that enables all entities admitted to the official list in the ASX Listing category to have the benefit of the ASIC relief (see above), although this is subject to a number of conditions. Dual-listed ASX/NZX entities admitted to the ASX as Foreign Exempt Listings automatically qualify for the extension to their filing deadlines under the NZX Class Waiver (see above). The ASX has granted an equivalent class waiver to dual-listed ASX/NZX entities incorporated in New Zealand and admitted to ASX as standard ASX Listings.

ACNC

It has approved blanket extensions to charities whose returns are due between 12 March and 30 August 2020. These charities will now need to submit their returns by 31 August 2020. This advice will be monitored as the situation progresses. Eligible charities will have their due date updated on the ACNC Charity Register. Read more on the ACNC page.

ATO

It has applied an automatic deferral for the lodgement of 2019 SMSF annual returns (SARs) that are due on 15 May and 5 June 2020 until 30 June 2020 for all SMSFs. Read more on the ATO page.

Trust accounts

Lodgement deadlines for trust account audits are driven by state and territory-based requirements, which can vary widely. Most have responded with relief ranging from blanket lodgement deferrals to consideration of case-by-case applications for extensions of time.

View the relief available for real estate agents, conveyancers and other trust account audits

View the relief available for legal practitioner trust account external examinations.

Incorporated associations

Reporting and audit requirements for incorporated associations that are not ACNC registered charities are set at the state or territory level and can vary widely. Some are offering various forms of relief and this is summarised in the attachment.

This information was accurate as of 1 July 2020. See the Chartered Accountants ANZ website to view a continuously updated list of reporting and audit extensions.

7. Physical restrictions

At a glance

- At the time of writing, physical restrictions have eased in NZ and many Australian states and territories. However, future challenges are impossible to predict. The pandemic will likely still impact the control environment and audit work.
- This section explores how to deal with physical restriction issues.

As long as the COVID-19 global pandemic continues, uncertainty will remain about what physical restrictions may or may not be imposed in New Zealand and Australia.

Changes arising from physical restrictions, such as staff working from home, can have a substantial impact on the control environment and related risks. This uncertainty presents particular challenges for auditors, who usually visit client premises for stocktakes or other physical inspections. It is worthwhile for preparers and directors to understand these challenges and work with their auditors to facilitate access via other means.

Control environment

Many organisations have new operating environments with more employees working from home than ever before. This may alter control and risk considerations (e.g. new technology being used, workforce restructures, supervision and segregation of duties, disruption to compliance and internal audit, etc). Auditors need to understand the internal control environment and how it has been affected by the pandemic. This impacts on identified and assessed risks of material misstatement, the planned level of reliance on internal control, and may require further substantive testing (especially for transactions from the past few months). See the AUASB's recently published guidance for more details.

Stocktakes

Auditors need to obtain evidence of the existence and condition of stock where it is material. If an in-person inspection is not possible, then it's necessary to perform alternate procedures, for instance sighting documentation of any subsequent sale of inventory items, or observe inventory via visual technology (e.g. video conferencing to undertake a warehouse count). Where the auditor can perform procedures to 'roll-back' inventory balances, it may be possible to arrange physical inventory count at a later date. Recent AUASB guidance expands further on this.

Component auditors

The AUASB has produced a useful FAQ in the event that you have a group auditor and a series of other component auditors responsible for different parts of an organisation. Clear, early and frequent communication is vital when it comes to considering where there might be any increased risk.

Changes arising from physical restrictions, such as staff working from home, can have a substantial impact on the control environment and related risks.

Fraud

Due to the impact of COVID-19 on operations, control environments and future plans, auditors need to take extra care in identifying and assessing their risk assessments in relation to each entity. In particular these circumstances can increase the risks of fraud, manipulation of information or error, requiring the auditor to exercise greater levels judgement and heightened professional scepticism at all stages of the audit. This IFAC guide may assist auditors to work through their fraud risk assessment process.

If physical distancing prevents in-person conversations, auditors may use video conferencing for enquiries and interviews regarding financial reporting fraud. The AUASB has provided guidance on this.

Further resources

- Chartered Accountants ANZ has produced a new video Q&A about physical access restrictions, featuring standards setters from both sides of the Tasman.
- Chartered Accountants ANZ has written a Q&A guide to stocktakes during COVID-19.
- Chartered Accountants ANZ has published this article about current challenges and priorities for auditors.

8. Additional resources

Reporting and assurance resources

The Chartered Accountants ANZ website provides a wide range of resources for reporting and audit. Members can also subscribe to dedicated technical newsletters for reporting and audit.

Chartered Accountants ANZ has produced a series of video interviews with the New Zealand and Australian standards setters. The videos explore the reporting and assurance implications of COVID-19. Also available is a Chartered Accountants ANZ video interview with ASIC.

We have published the following Q&As, tackling specific reporting and assurance issues arising from the COVID-19 pandemic:

- Going concern
- Event after balance date
- Stocktakes during COVID-19
- Leave accrual during COVID-19.

The AASB has published guidance for accounting for government support. And the ASX has outlined its approach to COVID-19 class waivers.

The AUASB and AASB offers this joint FAQ publication offering specific guidance for reporting and auditing during the pandemic.

This guide outlines ASIC's focus areas for reporting under COVID-19 conditions and 2020 year-ends.

The IFRS Foundation has published details of its priorities and work plan during COVID-19.

Auditing-specific resources

The AUASB recently published this additional FAQ for auditors.

The NZAuASB has published an FAQ document, exploring auditing issues during COVID-19. A follow-up explanation of modified audit reports is also available.

FMA has published financial reporting review findings and guidance for entities in light of COVID-19.

New Zealand's Office of the Auditor General has published this guide to auditing public organisations during Covid-19.

This article by Craig Fisher FCA explores some of the common COVID-19 issues for auditors.

More resources during COVID-19

Our COVID-19 Resources hub is regularly updated to keep you informed with the latest developments, tools and resources to assist you with navigating the pandemic and recovery.

The Institute of Directors in New Zealand has published this guide for boards dealing with COVID-19. The Australian Institute of Company Directors has also published guidance of its own.

9. Contacts

Chartered Accountants ANZ

This is a challenging time for many members and Chartered Accountants ANZ is here to offer support however we can. Contact us via our website or reach out to your regional manager.

My CA

Gain the support of other CAs with My CA Groups. With the impact of COVID-19 significantly changing our day-to-day work life and operating environment, you've probably got many questions to ask. Now is a great time to gain the advice of your CA network and experts in your community. Explore 'My Groups' where you are able to ask other CAs questions, as well as share your knowledge and offer support to other members. Discover groups relevant to your interests and skills, or find a group of like-minded colleagues experiencing the same challenges as you.

CA Wellbeing

CA Wellbeing provides resources and information to support mental health and wellbeing for members. As a member of Chartered Accountants ANZ, you can access complimentary counselling services for you and your family.

10. Acknowledgements

This guide has been developed by the Reporting & Assurance team at Chartered Accountants ANZ. The content was informed by engagement, suggestions and enquiries from members of Chartered Accountants ANZ during 2020.

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