

Refresher Course on Practical Issues on Standards on Auditing SA 701/720/600

Day 3, Session 2
21 June 2020

Contents

Statistics

Refresher

SA 701

SA 720

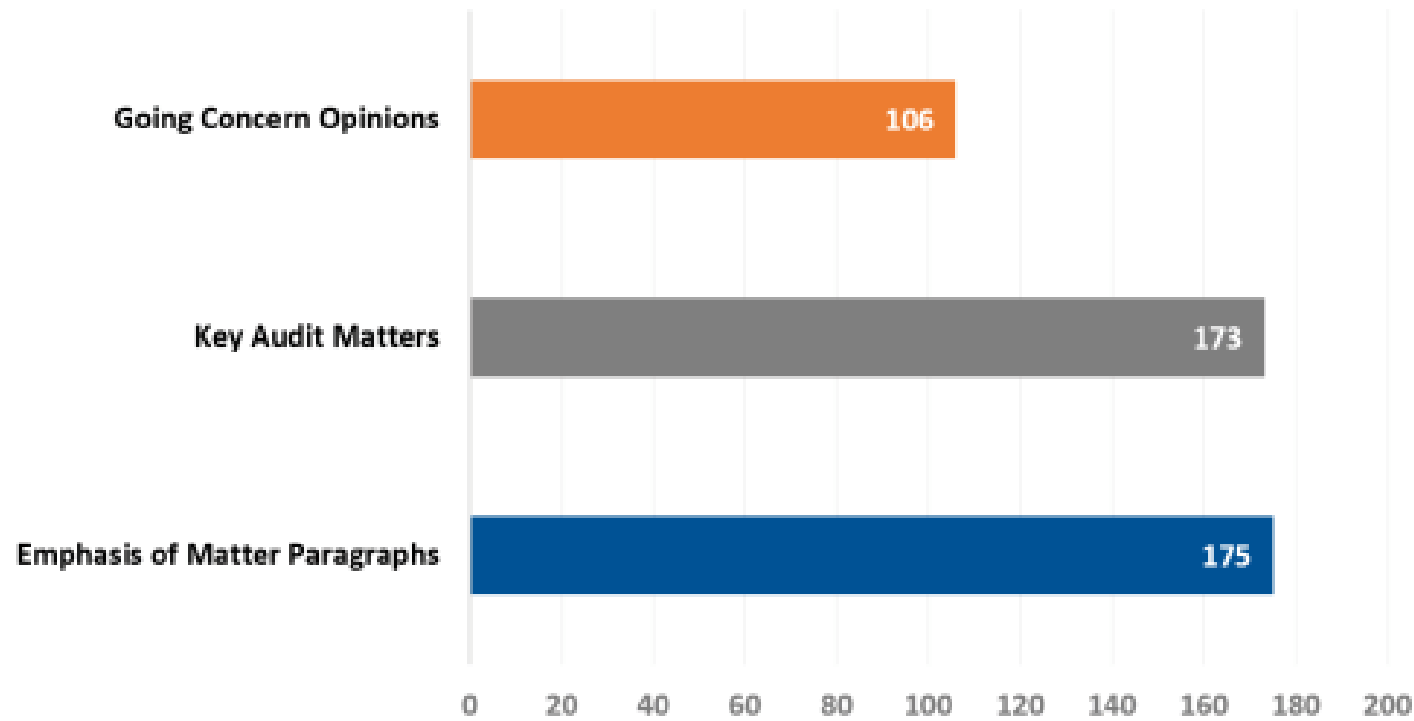
SA 600

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Total Filings Referencing Coronavirus



Data as of 15 June 2020

www.AuditAnalytics.com

Overall Statistics

As of the week ended 12 June 2020, Audit Analytics has observed the following trends in European audit opinions referencing COVID-19:

- Going Concern Modification: 106
- Key Audit Matter: 173
- Emphasis of Matter Paragraph: 175

Going Concerns Referencing Coronavirus

		March			April				May					June		Cumulative Total <i>(to date)</i>
		13	20	27	3	10	17	24	1	8	15	22	29	5	12	
Auditor	Deloitte	2			1	3				2	1		1		1	11
	EY				3		1	1	1				2	2		10
	KPMG		1	1	1	2	1		3	3		1	1	1		15
	PwC	1	1	2	2	3		2	2		1	3	1	1		19
	Non-Big Four			4	9	6	4	6	5		2	5	8	2		51
Market Cap	Small Cap (under €100 million)		2	6	8	11	4	6	11	3	3	5	8	3		70
	Mid Cap (€100 - €1,000 million)	1		1	7	3	2	3		2	1	4	4	3	1	32
	Large Cap (over €1,000 million)	2			1											3
Industry	Agriculture, Forestry, Fishing				1					1	1		1			4
	Mining	1		2	5	4			2			1				15
	Construction						1				1	1		1		4
	Manufacturing		1	1	6	3	1	3	2	1		2	4			24
	Transportation, Communications					1		1	1		2		3		1	9
	Wholesale Trade			1												1
	Retail Trade		1	1	1							1	1	2		7
	Finance, Insurance, Real Estate	1		1		3	1	1	1			3	2	3		16
	Services	1		1	3	3	3	4	5	3		1	2			26

A going concern modification is the expressed uncertainty that a company is able to continue in the near future. Generally speaking, this uncertainty relates to whether the company will exist for another 12 months. The specifics of the long-term and extensive impacts of the coronavirus are currently unknown, but it is known that COVID-19 has the potential to materially impact operations across a wide variety of companies.

Going Concern Audit Opinion

Key Audit Matters Referencing Coronavirus

		March			April				May				June		Cumulative Total <i>(to date)</i>	
		13	20	27	3	10	17	24	1	8	15	22	29	5		12
Auditor	Deloitte				1	2	1	1	2	4		1	3	1	1	17
	EY	1			1	5	3	3	3	2	1	1	1	3	1	25
	KPMG	1	2	2		3	2		1	3	1	2	2	1		20
	PwC		1		1	11	7	4	12	5	3	6	4	4		58
	Non-Big Four			3	3	5	2	7	9		3	8	8	4	1	53
Market Cap	Small Cap (under €100 million)		1	3	5	8	4	6	16	6	4	10	9	5		77
	Mid Cap (€100 - €1,000 million)	1	1	2	1	17	9	9	7	5	1	3	6	5	3	70
	Large Cap (over €1,000 million)	1	1			1	2		3	2	3	5	1	3		22
Industry	Agriculture, Forestry, Fishing					1		1		2			1			5
	Mining					3		1	6	2		1		1		14
	Construction	1					2		1			1				5
	Manufacturing			1	3	4		3	4	3	2	6	2	3		31
	Transportation, Communications	1				1	1	1	1	1		2	3	2	1	14
	Wholesale Trade					1	1				1		1			4
	Retail Trade		1			1						1	1	2		6
	Finance, Insurance, Real Estate		1	3		9	7	5	8	4	3	3	8	5	1	57
	Services		1	1	3	6	4	4	7	2	2	4	2		1	37
Total by Month		3	3	5	6	26	15	15	27	14	9	18	18	12	3	472

Key Audit Matters

KAMs are intended to increase the usefulness and information provided in the auditor’s opinion. The disclosures made by the auditor are supposed to describe an area of significant audit risk, a summary of the auditor’s procedures to test the audit area, and any key observations of the auditor with respect to that risk (where appropriate). Considering the uncertainties regarding future impacts of the coronavirus pandemic, auditors may address the risk of that uncertainty in a KAM.

Emphasis of Matter Paragraphs Referencing Coronavirus

		March			April				May					June		Cumulative Total <i>(to date)</i>
		13	20	27	3	10	17	24	1	8	15	22	29	5	12	
Auditor	Deloitte			4	6				3		1					14
	EY		1	2	6	3	4	4	2	2						24
	KPMG			3	3	1	5		1	1						14
	PwC			7	8	6	2	2	1							26
	Non-Big Four		6	7	14	6	7	5	22	8	6	9	13	3		106
Market Cap	Small Cap (under €100 million)		3	8	16	6	6	4	25	9	6	6	12	3		104
	Mid Cap (€100 - €1,000 million)		3	5	5	7	5	6	2	2	1	1				37
	Large Cap (over €1,000 million)			10	11	2	3	1	2							29
Industry	Agriculture, Forestry, Fishing						1	1								2
	Mining				1	1		1	1	2	1	1		1		9
	Construction				1	1			1			2				5
	Manufacturing		5	7	9	4	3	3	12	2	3	2	3	1		54
	Transportation, Communications			3	4	1	4	1	3	1		1	2			20
	Wholesale Trade				2	1	1		1		1					6
	Retail Trade				1	1				1				1		4
	Finance, Insurance, Real Estate		1	9	7	4	2	3	4	5	1	3	2			41
	Services			4	7	3	4	2	7		1		6			34
Total			20	37	57	46	45	44	70	44	27	43	37	6		475

An emphasis of matter paragraph is a component of the auditor’s report on financial statements that addresses matters that the auditor considers is fundamental to the overall understanding of financial statements. Given the widespread effects of coronavirus on companies and their financials, it is not surprising to see the COVID-19 pandemic mentioned as an emphasis of matter in financial statements.

Emphasis of Matter

Refresher

- Reference Material:
 - Standards on Auditing
 - SA 701, 720 & 600
 - Implementation Guide
 - SA 701 & SA 720
 - Guidance Note on Audit of Consolidated Financial Statements (Revised 2016)
 - SA 600
 - Background Material for Audit Training Workshops and Seminars (October 2019)
 - SA 701, 720 & 600

Case Studies

- Vodafone UK
- TCS
- Infosys
- Alembic Pharmaceuticals
- GACL COVID 19 Impact Intimation to Stock Exchange

Q&A

