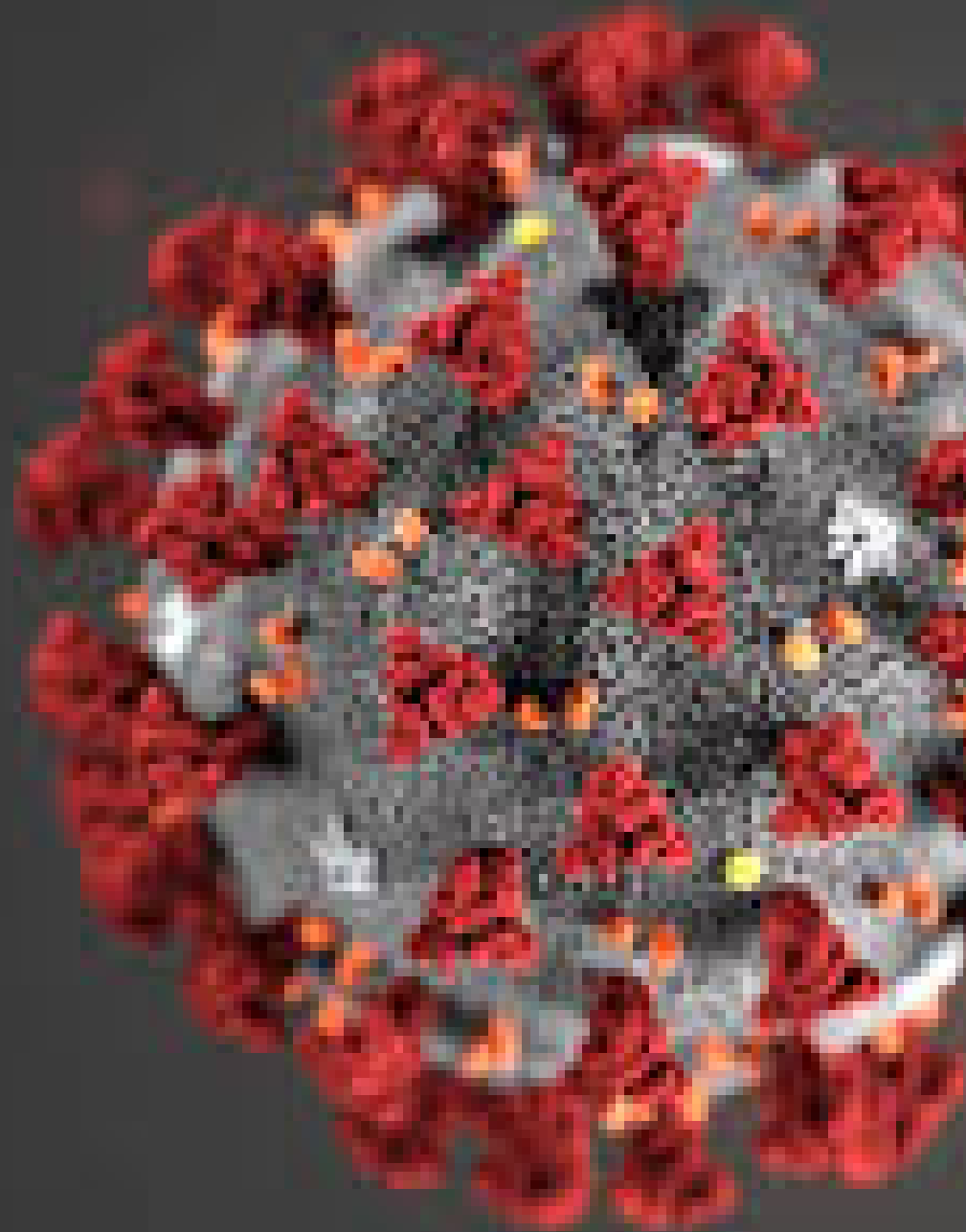


**IMPACT -
SA-210, 230 & 540
DUE TO COVID-19**

CA Padmashree Crasto

June 2020



Agenda

BACKGROUND

CHALLENGES

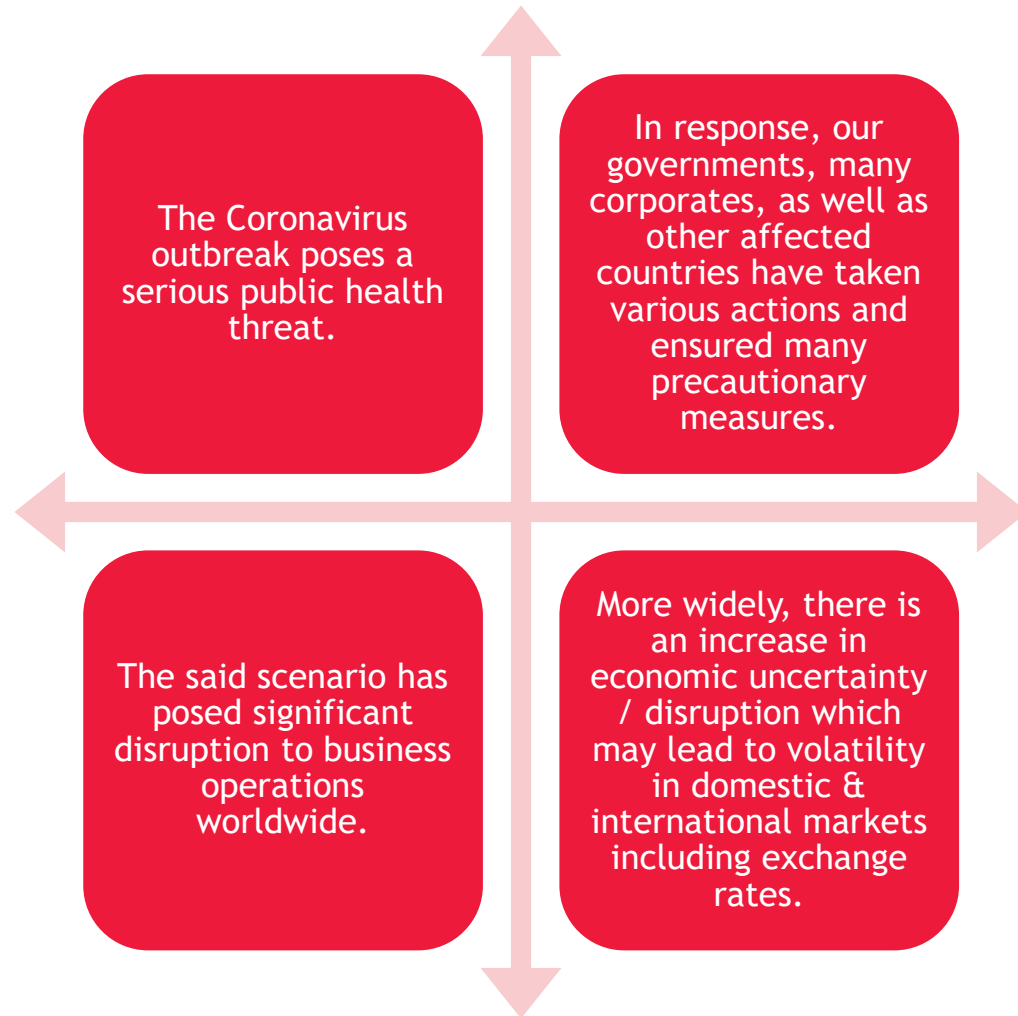
INTRODUCTION AND SCOPE

OBJECTIVE

SA - 210, 230 & 540 & COVID-19 IMPACT

CONCLUSION

BACKGROUND



CHALLENGES

Companies may face challenges in helping auditors to conduct their audits as it may be difficult to provide them access to their establishments.

Auditor may have challenges in obtaining access to management and others, including legal counsel, management experts due to travel restrictions. They may not be able to provided the anticipated audit evidence.

For large companies with various overseas components, there could be a significant challenge to work with component auditors and managements of the overseas components.

These challenges could lead to certain implications in the auditors report which may include:

Reporting of **new KAM** in response to additional audit work necessary as a result of the outbreak

Addition of **material uncertainty in relation to going concern** paragraph, where relevant

An **EOM/OM** relating to a significant uncertainty arising from outbreak, if consider necessary

A **qualification or adverse opinion** in respect of inadequate disclosures in the FS.

SA-210 Agreeing the Terms of the Audit Engagement



INTRODUCTION AND SCOPE OF SA-210

This SA-210 deals with the auditor's responsibilities in agreeing to the terms of the audit engagement with management.

SA 210 establishes the preconditions for an audit, terms of an audit engagement and changes thereof, segregates the responsibility of the management and auditors etc.

OBJECTIVE

Auditor's Objective is to accept or continue an audit engagement only when the basis upon which it is to be performed has been agreed, through:

Ensuring if the Preconditions for an audit are present

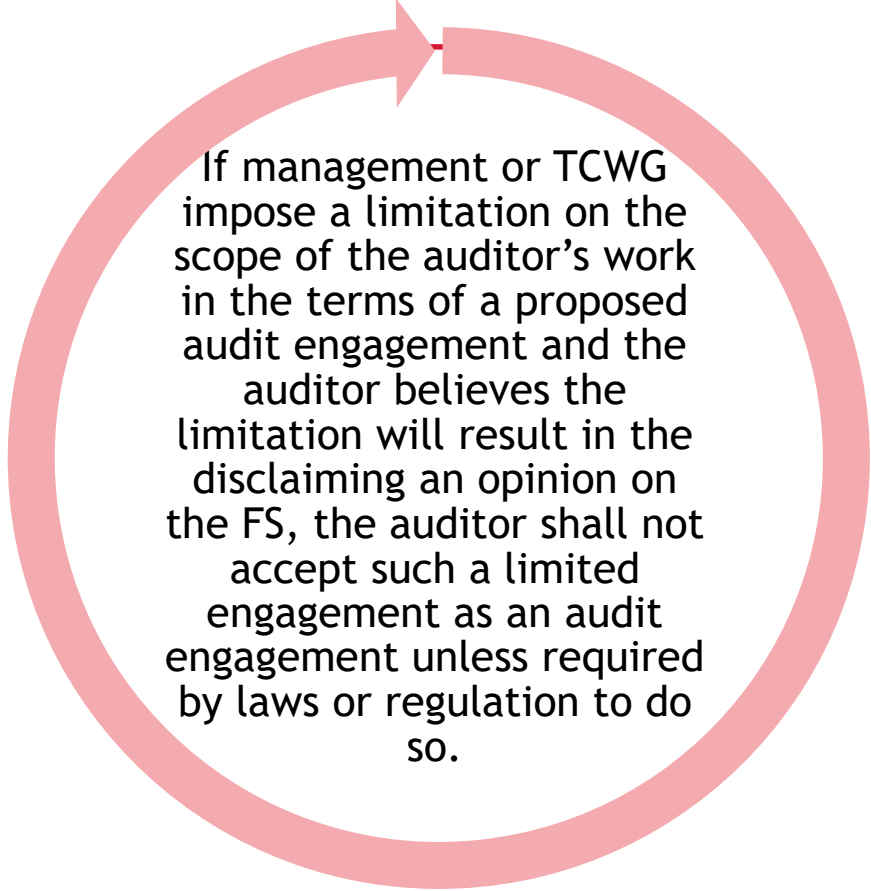
Confirming if there is a common understanding between auditor and management

PRECONDITIONS FOR AUDIT

Preconditions for audit check

- Acceptable Financial Reporting Framework (FRF) based on entity's nature and the purpose
- Obtain agreement that management acknowledge and undertake its responsibility :
 - FS prepared within applicable FRF
 - Internal control exist to ensure there are no material misstatement in FS whether due to fraud or error
 - Provide auditor with : Access to all information of which management is aware relevant for preparation of FS, Additional information that the auditor may request from management for the purpose of audit, Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence, etc

Limitation on Scope prior to audit engagement



If management or TCWG impose a limitation on the scope of the auditor's work in the terms of a proposed audit engagement and the auditor believes the limitation will result in the disclaiming an opinion on the FS, the auditor shall not accept such a limited engagement as an audit engagement unless required by laws or regulation to do so.

Other Factors Affecting Audit Engagement Acceptance

If the preconditions for an audit are not present, the auditor shall discuss the matter with management. Unless required by law or regulation to do so, the auditor shall not accept the proposed audit engagement:

If the auditor has determined that the FRF to be applied in the preparation of the financial statements is unacceptable

If the agreement of management has not been obtained.

Contents of Engagement Letter

The agreed terms of the audit engagement shall be recorded in an audit engagement letter or other suitable form of written agreement.

The contents of an engagement letter will be decided in the light of requirements of each client, but every such letter would normally cover the following matters:

- The objective and scope of the audit of the financial statements;
- The responsibilities of the auditor;
- The responsibilities of management;
- Identification of the applicable financial reporting framework for the preparation of the financial statements; and
- Reference to the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content.



Recurring Audits

This refers to the audit carried out for more than one financial year.

On recurring audits, the auditor shall assess whether circumstances require the terms of the audit engagement to be revised and whether there is a need to remind the entity of the existing terms of the audit engagement.

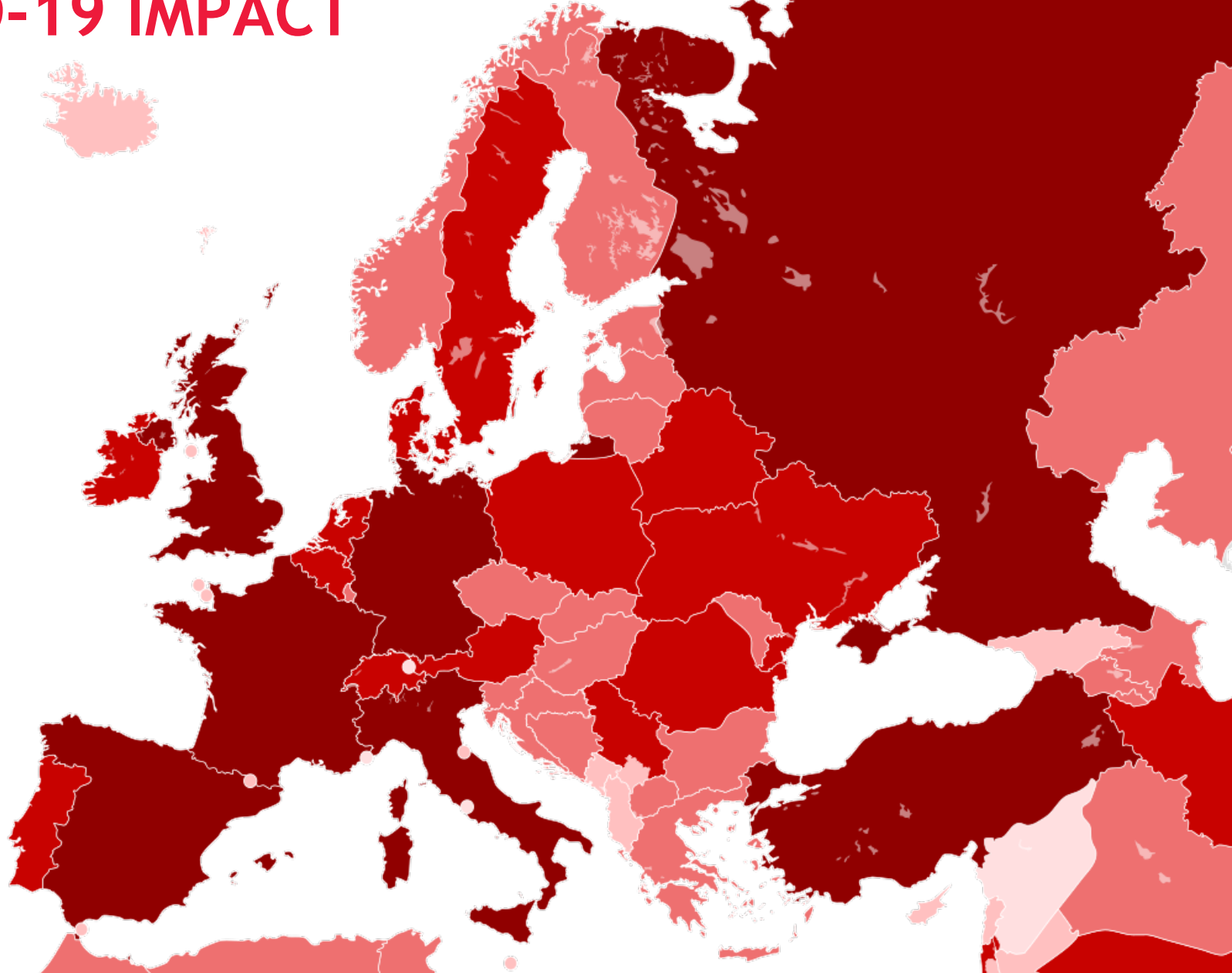
Under the Companies Act, 2013 auditor is required to be appointed for a period of 5 years. In such cases, companies may choose to execute a single engagement letter for 5 years. Changes may be made to such engagement letter by way of an addendum to the original engagement letter

Acceptance of a Change in the Terms of the Audit Engagement

The auditor shall not agree to a change in the terms of the audit engagement where there is no reasonable justification for doing so.

- If, prior to completing the audit engagement, the auditor is requested to change the audit engagement to an engagement that conveys a lower level of assurance, the auditor shall determine whether there is reasonable justification for doing so.
- If the terms of the audit engagement are changed, the auditor and management shall agree on and record the new terms of the engagement in an engagement letter or other suitable form of written agreement.
- If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall:
 - Withdraw from the audit engagement where possible under applicable law or regulation; and
 - Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators

COVID-19 IMPACT



Update audit engagement letter as a result of the COVID-19 outbreak

Assess whether circumstances require the terms of the audit engagement to be revised and whether there is a need to remind the entity of the existing terms of the audit engagement.

Consider whether there may be certain 'preconditions' to the audit which may be difficult or no longer possible to be met by the client or auditor as a result of the COVID-19 outbreak.

Where such restrictions are identified, it is encouraged to discuss with management, get an understanding of the restriction issues that COVID-19 has created for the client and the impact on the preparation of the financial report, conduct of the audit, and determine how the information and access required for the audit will be gained in the current environment.

Re-assess risk due to Covid-19 on various items of Financial Statements which are material such as Inventory & Cash which are required by auditor to be attended physically at the time of counting. Re-visit the audit strategy and to use alternative procedures

Update audit engagement letter as a result of the COVID-19 outbreak

This may require revision of the engagement terms, or a change to the Audit Strategy or Plan which needs to be communicated to the client.

Generally EL was drafted by the auditor during the Planning phase which is completed before the start of pandemic.

May put in place an EL which sets out the current audit arrangements during this unprecedented time and capture in clear terms precisely to cater to the situation

Such addendum to EL should be approved by the engagement partner as well as TCWG.

If Auditors or Audit Clients wish to amend the terms of engagement for other reasons, consider whether independent legal advice is necessary.

Addition in Engagement letter (Special Circumstances - illustrative)

During the engagement term, it is duty of each party to inform the other party about the events which relate to COVID-19 or any other such situation:

Each party will implement mitigation measures to enable the Services to be performed so far as reasonably practicable in the circumstances, including without limitation:

If any party is unable to perform its obligations under the Agreement due to situation - time line for performance shall be extended by reasonable period without any liability on the non-performing party

was not existing or foreseeable at the time of agreement

will adversely affect the party's ability to perform obligations under the agreement

reducing travel and in-person meetings to the minimum necessary level

implementing local official bodies recommended infection control procedures

implementing such policies and technical environment which allows employees to work remotely

implementing audio/video conference, etc. for collaborative working

complying with the regulations, notifications, advisories etc. issued by the relevant authorities

Addition in Engagement letter (Special Circumstances - illustrative)

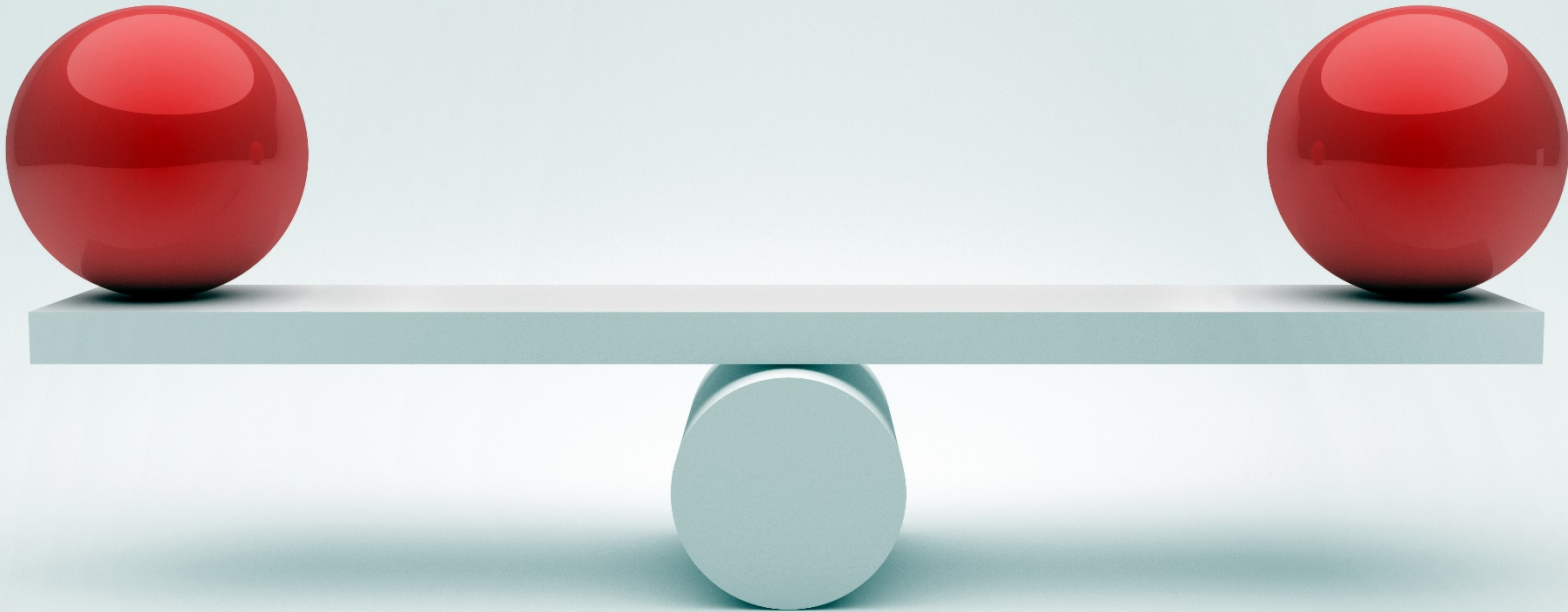
Clause with regard to cover risk and data exchange

Communication with the Entity by electronic mail on the basis - consent to this method of communication - inherent risks involved therein

Transmission of information/ data/ report pertaining to the audit, to them and/or representatives using their respective email accounts / portals / other means

The risks of data leakage, interception or unauthorized access/use of such communications / data and ensuring that there shall not be liability on account of any damages/loss/claims/liabilities suffered / incurred

SA 230 - Audit Documentation



SCOPE OF SA-230

Auditor's responsibility to prepare audit documentation for an audit

To be adapted to audits of other historical financial information.

Laws & Regulations may establish additional requirements.

Specific documentation requirements of other SA's do not limit application of this SA's.

MEANING OF AUDIT DOCUMENTATION

It is maintained at three stages of audit work :

- Audit Planning
- Audit Execution
- Audit Reporting / Completion

It means record of :

audit procedures performed,
relevant audit evidence obtained,
conclusions the auditor reached

•“Document”, in the context of audit refers which is **required to be maintained** by an auditor to **record his findings** during the course of the audit. For example work papers, signed agreements, videos, pictures, spreadsheets, transcripts, correspondences, etc.

NATURE & PURPOSE



Helps in Planning an audit



Evidence to support audit planning, audit implementation and audit reporting



Assist Supervision and review



Supports & provide evidences of work performed in compliance with standards.



Supports demonstration in any external or internal review of the audit

FORM & CONTENT OF DOCUMENTATION

- Depends on various factors such as:

The size and complexity of the entity

The nature of the audit procedures to be performed

The identified risks of material misstatement. The significance of the audit evidence obtained

The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained

The audit methodology and tools used

- Documents are segregated into PAF (Permanent Audit File) & CAF (Current Audit File).

TYPE OF AUDIT FILE

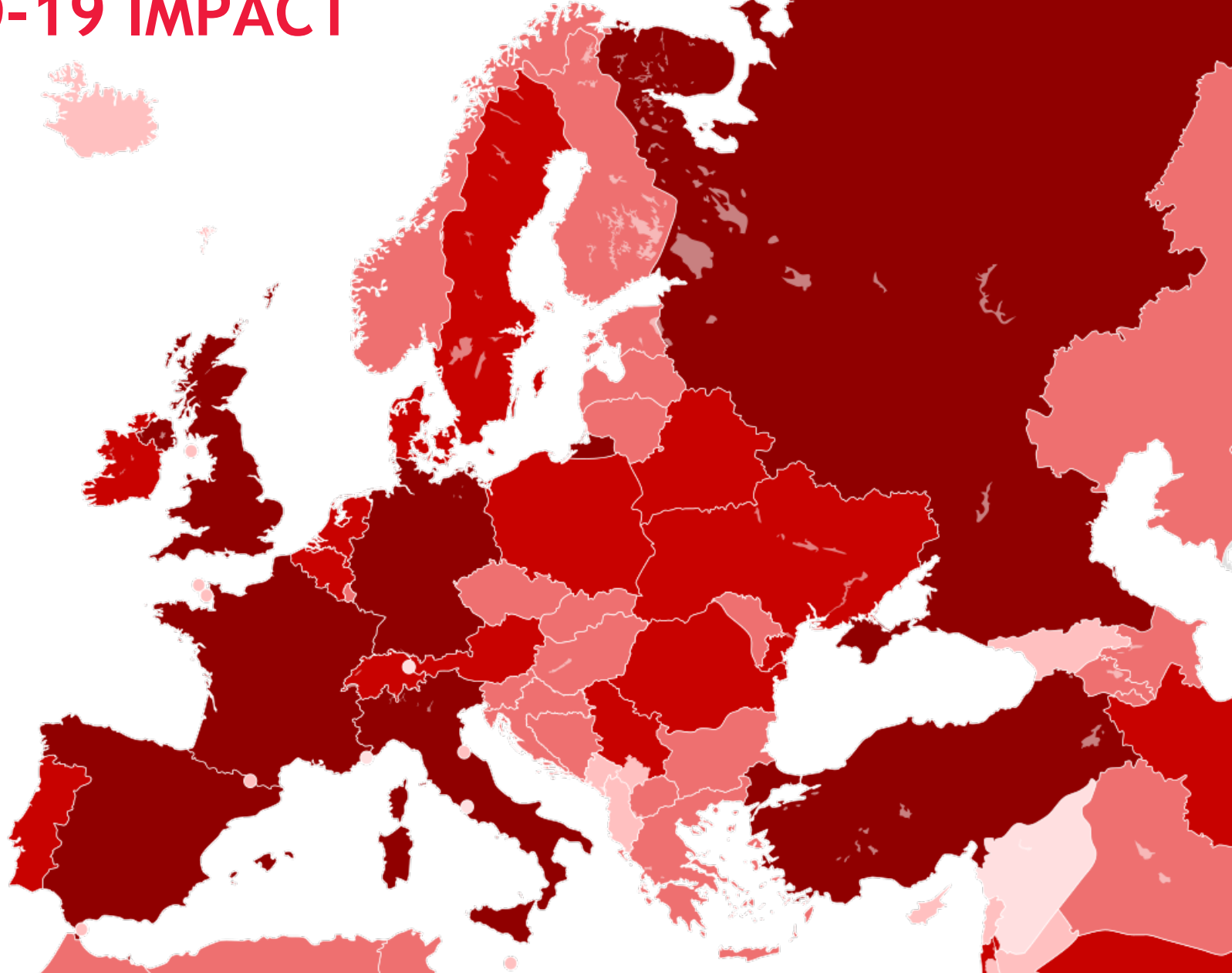
Permanent Audit File

- MOA & AOA/ Deed/ Bye laws
- Engagement letter, Communication with previous auditor
- Client's Organizational Structure
- Legal documents such as prospectus, leases, sales agreements
- Minutes of the meeting, Copy of audited financial statements along with audit report for the previous 3 years

Current Audit File

- Audit Evidence - Documents received from client, auditors workpapers, etc.
- Evidence relating to each Financial Statement Area (FSA) i.e. share capital, borrowings, investments, inventory, etc.
- Various checklists (Such as Companies Act, CARO, Accounting & Auditing Standards, etc.)
- Management representation letter

COVID-19 IMPACT



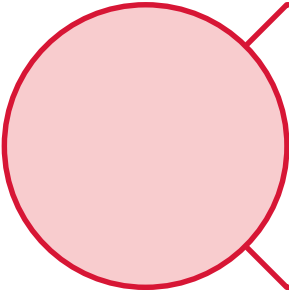
Audit Evidence

The diagram consists of two red arrows pointing in opposite directions, one to the left and one to the right, connected at their inner ends by a white, curled ribbon-like shape. The left arrow contains the word 'Sufficient' and the right arrow contains the word 'Appropriate'. Both arrows have a white outline and a slight drop shadow.

Sufficient

Appropriate

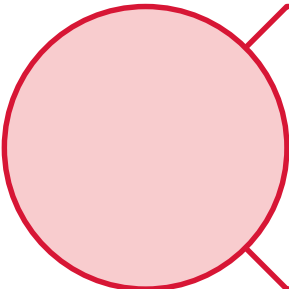
Practical difficulties in accessing books and records



If the auditor has trouble gaining access to the client's books and records during the pandemic then obtain client-prepared copies or scans of key records



Have to inform clients that audits cannot be completed until books and records can be accessed.



In cases where clients are required to have audited financial statements before specific dates, perhaps due to bank covenant requirements, auditors may want to encourage clients to contact users of the financial statements, such as bank credit officers, as soon as possible to see if waivers or extensions can be obtained.

Few Reminders - Planning Stage

- Execution of Engagement Letter

- Identification of relevant Risks

- In case of clients to whom IFC is applicable, ensure Process flow, understanding, walkthroughs are appropriately documented

- Access to Client systems may be a challenge - get independent access / access through their system - ensure the session details are documented

- Controls - During the period , alternative controls developed during lockdown, additional controls implemented on account of lockdown - Design & Implementation

- Virtual meetings - record minutes of meeting, people present, send a confirmatory email and document

Few Reminders - Execution

- Access to Client systems may be a challenge - get independent access / access through their system - ensure the session details are documented

- Retrieval and access to supporting - One Drive / FTP / VPN - put a note in the file

- IPE - Information produced by the Entity - ensure relevance, reliability & authenticity

- Access to information like FAR / Inventory records / Investments - perform alternate procedures and document with timing and date

- Entries passed on account of misstatements

- Access to Secreterial Records like Minutes / Registers

Few Reminders - Completion



- JE Testing



- Tracing, posting, casting of Financials



- Issue discussions



- Finalisation process - FS / Notes / Other documents (SA 720)



- Closing Entries

HOW TO DOCUMENT EVIDENCE IN CURRENT SCENARIO

Placing reliance on scanned documents

Consider the **reliability** of scanned document and whether the document is faithful in form and content to the original.

Obtain **written representation** from the management regarding authenticity of the scanned documents.

Considering the **controls** that management has implemented for **converting** hard copies in electronic format.

Validating **completeness** and authenticity of scanned documents.

Inquiry with the document owner and person who scanned the document.

Reviewing the source document

HOW TO DOCUMENT EVIDENCE IN CURRENT SCENARIO

PHYSICAL VERIFICATION

Planning

SA 501 requires the auditor to **attend physical inventory counting** in order to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory if the inventory is material to the financial statements.

Execution

If the auditor is **unable** to attend physical inventory counting during the movement control period, the auditor should consider making or observing some physical counts on an **alternative date** and perform audit procedures on intervening transactions.

Completion

If these procedures are impracticable or don't provide SAAE, then auditor shall consider the suitable modification on the auditor's report in accordance with SA 705 (Modifications to the Opinion in the Independent Auditor's Report).

HOW TO DOCUMENT EVIDENCE IN CURRENT SCENARIO

PHYSICAL VERIFICATION

Alternative Procedure

- In the event that the attendance at physical inventory counting is **impracticable** (for instance, inventory is held in a location that may pose threats to the safety of the auditor), the auditor should consider performing alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of the inventory such as:
- Inspection of documentation of the **subsequent sale** of specific inventory items acquired or **purchased prior** to the physical inventory counting;
- Reliance on **cyclical counts**; or
- Obtaining direct **assistance by internal auditors**.
- **Virtual attendance**: Use of technology (Video Conferencing) to attend inventory counting
- Inventory held by third party: Obtain external confirmation from third party

HOW TO DOCUMENT EVIDENCE IN CURRENT SCENARIO

Confirmations under Covid-19 Scenario

Due to increasing business closures and movement to telecommuting models, auditors may consider sending **electronic confirmations** rather than paper ones.

Some firms may have process flow software where this could be done quite easily and might result in a **better response rate**.

Asking **clients to first contact** their vendors and customers in advance may be prudent, to understand the best way to contact these parties in the current environment.

Domain Verification when email confirmations are sent is necessary - Documenting the controls on that

Maintaining Control Chart

GOING CONCERN AND SUBSEQUENT EVENTS

Maintain Professional skepticism & consider whether SAA available to be able to assess

Impact on the business operations/ revenues/ cash flows etc. of the entity for the year
appropriateness of the use of going concern basis of accounting / existence of material uncertainty related to going concern

Appropriate disclosures made in the FS regarding the impact & management's assessment

Assessment of Subsequent events

Decisions taken to continue the business / closure of business

Major decisions of retrenchment etc.,

Assess whether these are adjusting / non-adjusting events and impact accordingly

Considering above factor auditor should evaluate possible impact on audit report

Modification of auditor opinion (SA 705) - Inadequate disclosure/ improper accounting/ unable to obtain sufficient & appropriate audit evidence

Emphasis of matter paragraph (SA 706) - To refer to a matter appropriately presented in the FS

Key Audit Matter (SA 701) - Most significant matters communicated to TCWG

Apart from this auditor should also consider impact on reporting under various clauses of CARO as well as reporting on Internal Financial Controls over Financial Reporting.

USE OF ELECTRONIC SIGNATURE FOR SIGNING AUDIT REPORTS AND CERTIFICATES

Reference to applicable laws

- SA 700(Revised) (paragraph A57): In some cases, law or regulation may allow for the use of electronic signatures in the auditor's report.
- IT Act 2000: contains provisions regarding the use of electronic signature for the authentication of electronic records.

Considering provisions of the IT Act 2000 and the Indian Evidence Act, 1872, it may be concluded that these Acts allow use of electronic signature for authentication of various documents. Therefore, ICAI members can use it for signing audit reports, all reports issued pursuant to any attestation engagement and certificates after ensuring compliance with all the requirements relating to signature.

This announcement was made on 13th April, 2020 and came into effect from the date of announcement itself.

Further, requirement to mention UDIN is applicable both for manually and digitally signed reports/certificates including certificates uploaded online.

MANAGEMENT REPRESENTATION LETTERS

Additional representations that could be added to the MRL (depending upon the particular circumstances of an engagement)

going concern assumption

subsequent events

risks and uncertainties

fraud

significant estimates

If management is unable to provide the signed MRL with an original signature on their letterhead, then use electronic means to obtain signed MRL

If management does not provide one or more of the requested written representations, auditors should

discuss with TCWG

re-evaluate the integrity of management

effect on the reliability of MRL (verbal /written)

take appropriate actions

determining the possible effect on the opinion

MANDATORY THINGS TO BE DOCUMENTED

- Engagement Letters
- Laws & Regulation applicable to the entity
- Audit committee presentation
- Tracing test
- Client acceptance/ Reacceptance procedures performed
- Critical issues identified and subsequent discussions with the Management
- Management Representation Letter

“Documentation is all pervasive” - in all SAs

MANDATORY THINGS TO BE DOCUMENTED

- Checklist complying various laws and regulations applicable to the entity
- Documents reviewed by the Seniors
- Risk Assessment documents including Fraud Assessment checklist
- Materiality calculations
- Independence declarations and documents
- Abstracts or copies of significant contracts / agreements
- Minutes of the meeting (Management/ TCWG)

“Most of the documents will be in soft copy so care to be taken that there are no errors in scanning”
“Retention requirements to be met!”



**SA 540 - Auditing Accounting Estimates,
Including Fair. Value Accounting Estimates,
and Related Disclosures**

INTRODUCTION AND SCOPE OF SA-540

This SA-540 deals with the auditor's responsibilities regarding accounting estimates, including fair value accounting estimates and related disclosures in audit of FS.

It also includes requirement and guidance on misstatements of individual accounting estimates and indicators of possible management bias.

OBJECTIVE

The objective of the auditor is to obtain sufficient appropriate audit evidence whether in the context of the applicable financial reporting framework :

accounting estimates, including fair value accounting estimates, in the financial statements, whether recognized or disclosed, are reasonable; and

related disclosures in the financial statements are adequate.

Meaning & Nature of Accounting Estimates

Meaning & Nature of Accounting Estimates

- An approximation of a monetary amount in the absence of a precise means of measurement”
- The degree of estimation uncertainty affects the risks of material misstatement of accounting estimates.
- A difference between the outcome of an accounting estimate and the amount originally recognized in the financial statements does not necessarily represent a misstatement of the financial statements. This is particularly the case for fair value accounting estimates.



FEW EXAMPLES

Accounting Estimates

- Allowance for doubtful accounts.
- Inventory obsolescence.
- Warranty obligations.
- Depreciation method or asset useful life.
- Provision against the carrying amount of an investment.
- Outcome of long term contracts.
- Financial Obligations/Costs arising from litigation settlements and judgments.

Fair Value Accounting Estimates

- Complex financial instruments,
- Share-based payments
- Property or equipment held for disposal
- Certain assets or liabilities acquired in a business combination, including goodwill and intangible assets
- Transactions involving the exchange of assets or liabilities between independent parties without monetary consideration

Estimates with low and high estimation uncertainty

Estimates with low estimation uncertainty	Estimates with high estimation uncertainty
Accounting estimates arising in entities that engage in business activities that are not complex.	Accounting estimates relating to the outcome of litigation.
Accounting estimates that are frequently made and updated because they relate to routine transactions.	Fair value accounting estimates for derivative financial instruments not publicly traded.
Accounting estimates derived from data that is readily available, such as published interest rate data or exchange-traded prices of securities. Such data may be referred to as “observable” in the context of a fair value accounting estimate.	Fair value accounting estimates for which a highly specialized entity-developed model is used or for which there are assumptions or inputs that cannot be observed in the marketplace.

Risk Assessment Procedures and Related Activities

Auditor shall obtain an understanding of the following in order to identify and assess the risks of material misstatement for accounting estimates:

1. Applicable FRF requirements.
2. Inquire with management about their identification process of circumstances which led to amend existing or new accounting estimates.
3. Management's estimation process including:
 - i. Method, model (where applicable)
 - ii. Relevant controls
 - iii. Use of management expert
 - iv. Changes in accounting estimates in comparison with prior period and reason for changes, and
 - v. Assessment of estimation uncertainty effect.
4. Review outcome of accounting estimates included in the prior period financial statements, & their subsequent re-estimation.

Inquiries of management about changes in circumstances

Inquiries of management about changes in circumstances may include, for example, inquiries about whether:

Any new types of transactions/conditions/events or change in terms of transaction that may require revision of accounting estimates.

Change in any accounting policies, Regulatory requirements or any other changes relating to accounting estimates.

Factors Influencing Degree of Estimation Uncertainty

The degree of estimation uncertainty associated with an accounting estimate may be influenced by factors such as-

The extent to which the accounting estimate depends on judgment.

The sensitivity of the accounting estimate to changes in assumptions.

The existence of recognized measurement techniques that may mitigate the estimation uncertainty

The length of the forecast period, and the relevance of data drawn from past events to forecast future events.

The availability of reliable data from external sources.

The extent to which the accounting estimate is based on observable or unobservable inputs.

Indicators of Possible Management Bias

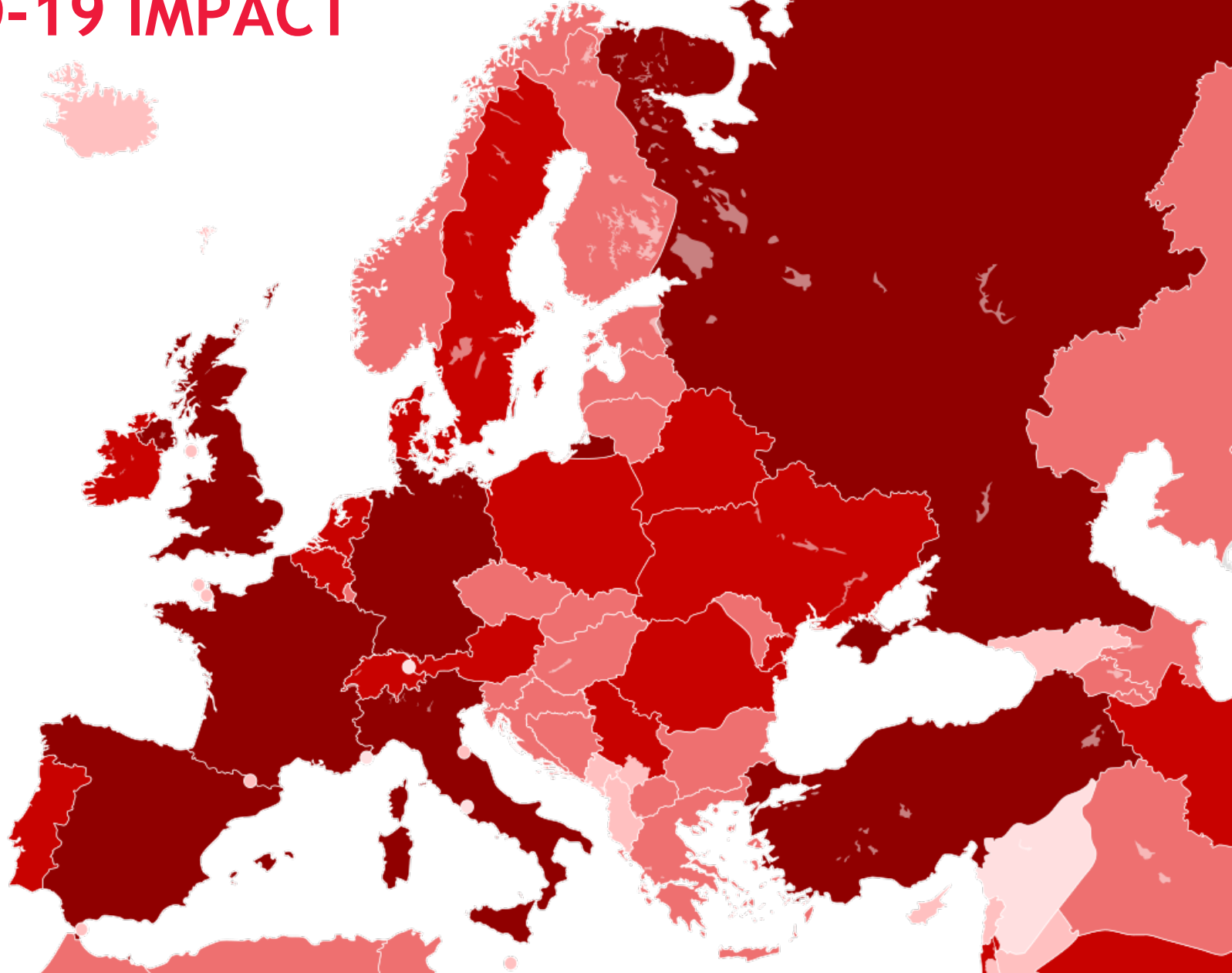
Changes in an accounting estimate, or the method for making it, where management has made a subjective assessment that there has been a change in circumstances.

Use of an entity's own assumptions for fair value accounting estimates when they are inconsistent with observable marketplace assumptions.

Selection or construction of significant assumptions that yield a point estimate favorable for management objectives.

Selection of a point estimate that may indicate a pattern of optimism or pessimism.

COVID-19 IMPACT



COVID-19 IMPACT

Impact of Covid-19 on SA 540:

In the current COVID-19 environment, there are elements of the risk assessment process that may require heightened focus by auditors, including, but not limited to, understanding:

- The nature of the accounting estimates, the degree to which an accounting estimate is subject to estimation uncertainty will vary substantially.
- Regulatory factors relevant to the entity's accounting estimates

Estimation uncertainty: COVID-19 environment is expected to adversely impact estimation uncertainty due to:

- FRF requires use of assumptions that inherently have high level of estimation uncertainty
- Many entities are transacting in markets that are experiencing significant turmoil, (for example, retail, hospitality and tourism)
- It may not be possible or practicable for management to make a precise and reliable prediction about the future realization of a past transaction

Assessing Financial Impact and their Reasonable Estimation (SA-540)

Specific accounting issues could arise in the following areas

Impairment of Goodwill, Property Plant and Equipment, Intangible Assets and Valuation & impairment of receivables, loans and advances.

Valuation of defined benefit plans and obligations.

Stock compensation performance conditions and obligations.

Contractual penalties.

Employment termination benefits.

Insurance recoveries related to business interruptions.

Onerous contract provisions.

Allowance for expected credit losses.

Assessing Financial Impact and their Reasonable Estimation (SA-540)

The above items are likely to have significant accounting estimates to be made by the management.

Significant assumptions including projected cash flows, used in these accounting estimates may be affected by the impact of COVID- 19.

Hence, the auditor should use procedures as prescribed by SA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures to check whether

the accounting estimates, including fair value accounting estimates, in the financial statements, whether recognized or disclosed, are reasonable; and

related disclosures in the financial statements are adequate.

Specific areas that may be impacted

Specific Areas	Impact
Impairment of non-current assets and goodwill:	<ul style="list-style-type: none">• Many companies may be facing the problem of low demand for their products or services or may be affected by the restrictions imposed by the government. Certain companies may be dependent on supply chains or may have production facilities in the states in India and abroad affected by lockdown.• This situation could be an impairment trigger, and require an impairment test. However, it could be a challenge for many companies to estimate future cash flows due to the increase in economic uncertainty.• Also companies would need to ensure that discount rates used in recent valuations have been updated to reflect the risk environment at the reporting date.• Companies would need to provide disclosures as per Ind AS 36, <i>Impairment of Assets</i> and also help users understand uncertainty associated with management's assumptions about the future.• Therefore, robust disclosures are needed to understand the degree of estimation uncertainty that exists in estimating the recoverable amount and the sensitivity of the recoverable amount to reasonably possible changes to key assumptions.

Specific areas that may be impacted

Specific Areas	Impact
Onerous contract provisions	<ul style="list-style-type: none">• Customer contracts may become onerous if, for example, suppliers are unable to fulfil their obligations under the contract as a result of closure or reduced production by manufacturing plants, which would necessitate recognition of a provision.• Delay in fulfilment of contractual obligations may also result in penalties to be provided for. Companies should consider providing meaningful disclosures about judgements and estimates applied in recognizing and measuring provisions.
Expected Credit Losses (ECLs)	<p>Certain sectors and regions may be particularly severely affected by the economic effects of COVID-19. Hence, companies would need to consider the impact of COVID-19 appropriately while recognizing ECLs. However, the companies may find it challenging to incorporate into their measurement of ECLs the forward-looking information relating to the economic impact of COVID-19 that is available without undue cost or effort at the reporting date. Relevant disclosures should be provided to enable better understanding of credit risk, timing and uncertainty of future cash flows.</p>

Specific areas that may be impacted

Specific Areas	Impact
Valuation of inventory	There could be a significant impact on the inventory valuation on account of forced plant shutdowns, decline in net realizable value due to reduction in demand and non-fulfillment of sales and purchase contracts.
Deferred tax assets	The recoverability of deferred tax assets may be impacted by changes to future forecasts
Insurance claims	The companies may evaluate the terms of their insurance policies and estimate possible compensation surrounding loss of profits and business disruption, etc. including timing of recognition of such claims.

WRITTEN REPRESENTATIONS

The auditor shall obtain written representations from management whether management believes significant assumptions used by it in making accounting estimates are reasonable.



Depending on the nature, materiality and extent of estimation uncertainty, written representations about accounting estimates recognized or disclosed in the financial statements may include representations:

About the appropriateness of the measurement processes and the consistency in application of the processes.

That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity.

That disclosure related to accounting estimates are complete and appropriate under the applicable FRF.

That no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

DOCUMENTATION

The audit documentation shall include:

○ The basis for the auditor's conclusions about the reasonableness of accounting estimates and their disclosure that give rise to significant risks

○ Indicators of possible management bias, if any.

REFERENCES TO ICAI PUBLICATIONS RELATED TO COVID-19

- ICAI Accounting and Auditing Advisory
- Subsequent Events key audit considerations amid COVID-19
- Physical inventory verification key audit consideration amid COVID-19
- Auditor's reporting key audit consideration amid COVID-19
- Going Concern - Key Considerations for Auditors amid COVID-19
- Announcement for Use of Electronic Signature for Signing Audit Reports and Certificates



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CONCLUSION

The impact of COVID-19 on the economy, financial markets and entities in particular continues to evolve.

The role of auditors at times like this is under increased scrutiny as the auditors have a public interest obligation to complete the audit work in accordance with professional standards and ethics requirements.

Under the current circumstances, auditors must recognize that the manner in which they conducted the audits in the past may need significant modification to address the challenges and uncertainties arising out of the impact of COVID-19.

Auditors to exercise a high degree of skepticism and be prepared to call out where the Company's narrative that the Board presents is not specific enough and does not "tell the whole story" of the various scenarios and level of uncertainty specific to the Company's operations.

Irrespective of the challenges and uncertainties, there should not be any dilution or non-compliance with the auditing standards in carrying out the audits.



THANK YOU

