



COVID-19 audit implications
March 18, 2020

To Participating Audit Firms:

A number of questions have been raised regarding the implications of the COVID-19 pandemic on Canadian public company audits. This communication is intended to provide participating audit firms with high level guidance. We acknowledge that the situation is highly fluid, and that new issues and risks will emerge.

1. Impact on the ability to perform audits

We have heard from several firms regarding the inability to complete component audits, prohibitions on entering reporting issuer premises, staff availability, etc.

The Canadian Securities Administrators (CSA) announced today a 45-day extension for financial statements and other periodic filings normally required to be made by issuers, investment funds, registrants, certain regulated entities and designated rating organizations on or before June 1, 2020.

Much flexibility is being demonstrated by audit firms including work from home arrangements, use of electronic evidence and telephone/video conferencing. Despite these measures, there will be pressure on critical resources such as valuation professionals. There will also likely be some cases where the sufficiency of evidence may be compromised. These and other issues may require consultation within firms or with other professionals.

2. Audit and Accounting issues arising from the financial crisis

Valuation, estimation and disclosure issues become paramount in a financial crisis. Obtaining and assessing sufficient evidence to support loan loss provisions, going concern assessments, impairment and critical estimates will be difficult. In addition, subsequent event, risks and uncertainties disclosures will in most cases be needed, together with quantitative disclosures of estimation or assumption uncertainty. We anticipate that many audits and interim reviews will become much more complex. As an example, IAS 10 paragraphs 14 to 16 describe situations where subsequent deteriorations in the operating results or financial position of an entity may need to be reflected in financial statements or be disclosed, depending on the severity.

Given the severity of the COVID-19 pandemic and the impact on employees, the economy, mobility and financial systems, it is likely that auditors may encounter scope limitations or complex auditing and accounting issues.

We encourage all firm audit quality leaders to reach out to CPAB or the CSA if you would like to discuss particular circumstances that you are encountering.

To help you identify potential accounting and auditing issues and responses relating to the current economic environment, we encourage audit firms and their clients to access a new resource hub created by CPA Canada, which can be found [here](#).

Please note that the Canadian Public Accountability Board, like many Canadian employers, has implemented a work from home protocol and is not conducting in-person meetings until further notice.

Sincerely,

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