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Going Concern due to COVID-19

Presenter: **Lettie Janse van Vuuren CA(SA), RA, CBA(SA)**

JUNE 2020

*Accounting and Auditing Considerations for the Impact of
COVID-19 on Going Concern
(Including reference to Subsequent Events & Reporting)*

About SAAA

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Reward Partners



Presenter

Lettie Janse van Vuuren CA(SA), RA, CBA(SA)

- Lettie joined SA Accounting Academy in November 2017 as Head of Technical. She is a Chartered Accountant, Registered Auditor and Certified Business Accountant.
- She is a **professional trainer and webinar host**, and with her relaxed and humorous presentation style, she is able to hold the attention of an audience. She has a unique ability to communicate with delegates at their respective levels of knowledge and experience. Over the last 20 years, she has trained thousands of partners, managers, trainee accountants and other professionals.
- She is responsible for our MCLU (Monthly Compliance and Legislation Updates).
- She was the Professional Development Manager at SAICA for 4 years and in charge of accrediting new training offices and monitoring existing ones (including the moderation of training offices and trainee assessments).
- Lettie is passionate about improving the efficiency and standardisation at practices. She has extensive experience on a variety of technical and practical topics which she consults on, including: SAICA re-accreditation assistance and preparation, IRBA inspection assistance and preparation, audit file reviews (post-issuance monitoring and EQCR), Quality control implementation, other office-specific manuals, and FASSET skills development facilitation.



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To ask questions and interact during the webinar please use the chat sidebar to the right of the video / presentation on the screen.

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WHAT'S ON THE AGENDA?

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Quote

*“It’s not how far you fall,
but how high you bounce
that counts”*

- Zig Ziglar

MODULE 1

INTRODUCTION

Module 1

Module 1: Introduction

The following items are dealt with here:

- SA's National Lockdown – Specific Consequences for Businesses
 - References – **Source Documents**
- Specific Consequences for Management, Compilers, Auditors and Independent Reviewers

Consequences of COVID-19

As a result of the COVID-19 pandemic

- The associated deteriorating economic environment
- Reduced revenues whilst fixed costs continue...
- Reduced cash flows
- Financial health of customers and suppliers
- Raised questions about the entity's ability to:
 - Meet its current or new obligations
 - Comply with debt covenants

➤ *Refer to Webinar Material for detail*

Consequences for the Role Players

Management & Compilers of AFS

- GC and Solvency & Liquidity
- Measurement of Assets & Liabilities
- Need to provide users of AFS with more robust disclosures re GC

Auditors and Independent Reviewers

- Compliance with Companies Act (Section 22, etc.) & IAS & ISA & ISRE
- Additional procedures to be able to conclude on GC (and the appropriateness of management's assessment of GC)
- Changes to report (e.g. material uncertainty, EOM, KAMs)

➤ *Refer to Source Document available to you*

➤ *Refer to Webinar Material for detail*

References – Source Docs

IAASB = International Auditing and Assurance Standards Board

- ❑ IAASB Staff Audit Practice Alert: **Going Concern** in the Current Evolving Environment—Audit Considerations for the Impact of COVID-19_April 2020
- ❑ IAASB Staff Audit Practice Alert: **Subsequent Events** in the Current Evolving Environment—Audit Considerations for the Impact of COVID-19_May2020
- ❑ IAASB Staff Audit Practice Alert: **Auditor Reporting** in the Current Evolving Environment Due to COVID-19_May2020

➤ *Refer to these 3 Source Documents available to you*

MODULE 2

SPECIFIC CONSIDERATIONS OF GOING CONCERN

Module 2

Module 2: Specific considerations of Going Concern

- Management and the auditor's respective responsibilities in relation to going concern
- Risk assessment procedures undertaken by the auditor
- Examples of Events or Conditions that may exist as a result of COVID-19
- Periods beyond management's assessment
- Additional procedures required when events or conditions are identified which may cast doubt on the entity's ability to continue as a going concern
- Disclosures related to going concern
- Implications on the auditor's report
- Significant delays in the approval of financial statements

Specific considerations of Going Concern

IAASB Staff Audit Practice Alert:

Going Concern in the Current Evolving Environment—Audit Considerations for the Impact of COVID-19

- Issued in May 2020
- **16 pages**
- *Refer to Source Document available to you*
- *Refer to Webinar Material for summary*

MODULE 3

SPECIFIC CONSIDERATIONS OF SUBSEQUENT EVENTS

Module 3

Module 3: Specific Considerations of Subsequent Events

The following items are dealt with here:

- Background information
- Examples of Events or Conditions as a result of COVID-19
- The impact of subsequent events on the auditor's report

Specific considerations of Subsequent Events

IAASB Staff Audit Practice Alert:

Subsequent Events in the Current Evolving Environment—Audit Considerations for the Impact of COVID-19

- Issued in May 2020
- **7 pages**
- *Refer to Source Document available to you*
- *Refer to Webinar Material for summary*

MODULE 4

**CONSIDERATION OF WHETHER COVID-19
INFORMATION HAS BEEN APPROPRIATELY
REFLECTED IN THE FINANCIAL STATEMENTS**

Module 4

Module 4: Appropriate Disclosure in the AFS

The following items are dealt with here:

- Preparation of AFS
 - Whose responsibility is it?
- Where to disclose what?

MODULE 5

THE EFFECT ON THE AUDITOR'S / INDEPENDENT REVIEWER'S / COMPILER'S REPORT

Module 5

Module 5: The effect on the auditor's / independent reviewer's / Compiler's report

The following items are dealt with here:

- In a nutshell...
- Modifications to the Auditor's Opinion/Independent Reviewer's Conclusion
 - Key Audit Matters

Specific considerations of Reporting

IAASB Staff Audit Practice Alert:

Auditor Reporting in the Current Evolving Environment—Audit Considerations for the Impact of COVID-19

- Issued in May 2020
- **7 pages**
- *Refer to Source Document available to you*
- *Refer to Webinar Material for summary*

MODULE 6

BONUS DOCUMENTS & USEFUL RESOURCES

Module 6

Module 6: Bonus Documents & Useful Resources

□ IRBA Documents

- IRBA COVID-19 Webpage
- Newsletter – The impact of COVID-19 on the Auditor’s Report: Going Concern
- SAAPS 3

□ SAICA Documents

- SAICA COVID-19 Hub
- SAICA Educational Material re COVID19 Financial Reporting
- FAQs - The impact of COVID-19 on audit considerations

➤ *Refer to Webinar Material for detail*

QUESTIONS?

Formal Q&A Session

We will now take a **quick comfort break** before we discuss some questions received during the webinar.

Remember: A Q&A summary will also be uploaded to your profile

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