



**CEAOB emphasises the following areas that are of high importance
in view of Covid-19 impact on audits of financial statements**

The Covid-19 (Coronavirus) pandemic has a global impact and significantly affects entities and their auditors. Whilst auditors have to comply fully with required standards, the Committee of European Audit Oversight Bodies (CEAOB) wishes to emphasise certain challenges that auditors are facing due to the unprecedented scale of the outbreak, which could have an adverse effect on audit quality. CEOAB acknowledges the [ESMA](#) statement on the accounting implications of the current situation on the calculation of expected credit losses under IFRS9 as well as the [statement by ESMA](#) on the recommended actions by financial market participants, in particular those about disclosure and financial reporting.

The CEOAB highlights the following areas that are of high importance for the performance of ongoing audits:

- **Obtaining of sufficient appropriate audit evidence** – the CEOAB and National Competent Authorities (NCAs) underscore that it is the auditor’s responsibility to obtain sufficient and appropriate evidence before issuing their audit report. It is acknowledged that access and travel restrictions as well as the limited availability of personnel due to health considerations may impair the auditor’s ability to obtain sufficient appropriate audit evidence. For group audits, both the group engagement partner and component auditors should adapt their audit approach to the current circumstances. Auditors are advised to explore alternative means, including technology, to the extent possible. The completion of high quality audits under the current circumstances may require additional time, which may impact reporting deadlines. As a consequence, auditors may need to postpone the issuance of their audit report, and where this is not possible or not likely to resolve the issue, auditors may need to modify their audit report to reflect that they have not been able to obtain the necessary audit evidence.
- **Going concern** – Auditors must pay close attention to the entity’s assessment regarding its ability to continue as a going concern. Given the current circumstances, uncertainty around the forecasts for economies worldwide as well as increased uncertainty around the outlook for many entities may pose a challenge to the auditors’ assessment. Auditors should also consider the impact of their evaluation of management’s assessment of the entity’s ability to continue as going concern on the audit report and the communication with those charged with governance. There also may be cases where an entity might need to apply liquidation based accounting.
- **Subsequent events** – For most entities the crisis emerged after the end of their financial year. Auditors will need to assess whether the disclosures provided by the entity on the impact, both qualitatively and quantitatively, of the Covid-19 outbreak on its activities, financial situation and future economic performance is appropriate in view of the applicable financial reporting framework, and may need to include a related emphasis of matter paragraph in their audit report. Where this is not the case, auditors may need to modify their audit reports accordingly.

- **Reporting and Communication** – Auditors are reminded to pay appropriate attention to assessing whether the description of the entity’s financial position, the principal risks and uncertainties that it faces and its likely future development is consistent with the knowledge they have obtained as part of their audit work. Auditors are reminded that it is important that they communicate timely and appropriately with the entity’s management and those charged with governance about the impact of the Covid-19 outbreak on their audit work as well as on the entity and its financial statements. Where appropriate, auditors may decide to include a key audit matter in their audit report. They are also reminded that the applicable standards, the Audit Regulation ((EU) N°537/2014 of the European Parliament and of the Council of 16 April 2014), or local requirements may require that they report these matters to the relevant authorities or other bodies outside of the entity.

The CEAOB, in cooperation with NCAs, will continue to monitor audit issues arising from the Covid-19 outbreak. The CEAOB suggests that the established Colleges of Competent Authorities for the Big-4 audit networks as well as NCAs, audit firms and representative bodies from auditors continue the dialogue started in national jurisdictions during these challenging times.

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