



Issue 42 (March 2022)

Dear members,

Update on impact of Coronavirus Outbreak on Audits and Auditors

As the fifth wave of COVID-19 rages through Hong Kong in early 2022, we understand there are challenges faced by auditors for the audits of 31 December 2021 year-end financial statements.

Members are reminded that the specific issues which were anticipated to impact on a client's business and the audit risks set in our [Alert Issue 32](#) issued in February 2020 and [Auditing and COVID-19, A Quick Guide](#) continue to be relevant for the current reporting season.

In those publications, we highlighted issues and points for consideration by auditors on areas such as:

- Obtaining an understanding on the impact of coronavirus outbreak on the client's reporting timetable
- Risk assessment and assessment procedures
- Designing and performing procedures
- Obtaining audit evidence including impact to conducting physical inventory counts
- Group audits with significant components in jurisdictions that may be severely impacted by COVID-19
- Going concern
- Subsequent events
- Implications for the auditor's report

In addition, in [Alert Issue 38](#), we reminded practitioners of important topical matters including the purpose and value of an audit, the current audit environment and certain key areas that might need extra focus.

Auditors should consider the areas highlighted in these publications amongst others when conducting their 2021 financial year-end audit engagements. Auditors are reminded to discuss reporting timetables with management and those charged with governance on a timely basis.

Preliminary announcements

For the impact on listed issuers, the Institute has communicated with members on [22 February](#) to advise that HKEX has updated the [FAQ](#) on 21 February 2022 with regard to the publication of preliminary results without the auditor's agreement. The updated FAQ states that HKEX will continue to adopt a similar approach as described in the February 2020 [Joint Statement](#) with the Securities and Futures Commission (SFC) to issuers whose financial year ends fall beyond 31 December 2019 on a case by case basis, taking into account the prevailing circumstances.

The Institute issued a revised [PN 730 \(Revised\) Guidance for Auditors Regarding Preliminary Announcements of Annual Results](#) in the [Members' Handbook Update 253](#) in December 2020 for additional guidance, amongst others, to auditors when the listed issuer publishes the preliminary announcement of results without obtaining its auditor's agreement, for example, when the audit is not in an advanced stage.

Members are also reminded that a revised [PN 730 \(Revised 2021\) Guidance for Auditors Regarding Preliminary Announcements of Annual Results](#) in [Members' Handbook Update 267](#) was issued in December 2021 as a result of [HKSRS 4400 \(Revised\) Agreed-Upon Procedures Engagements](#) becoming effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022.

Electronic signatures

Please be reminded that there is nothing in the Hong Kong Standards on Auditing prohibiting the use of electronic signatures. The HKICPA issued an [update on the COVID-19 pandemic](#) on 2 April 2020, whereby directors and auditors of Hong Kong incorporated companies are reminded of their obligations under the Companies Ordinance ("CO"). Section 387 requires directors to approve and sign the statement of financial position and an auditor is required to sign the auditor's report under section 409. The CO does not contain any specific provisions on electronic signatures. However, the Electronic Transactions Ordinance ("ETO")(Cap 553) contains provisions on electronic and digital signatures that may be relevant. Companies and auditors should consult their own legal advisors on the applicability of these provisions and the detailed procedures under the ETO.

Resources by other standard setters/ CPA bodies

Members may wish to refer to the links below for publications from international standard setters and other professional accountancy bodies relating to auditing in the COVID-19 environment. Please note that the list of resources below are not intended to cover all the practical and technical issues in an audit in the current situation. Members are to refer to the auditing standards for all the relevant requirements.

IAASB Guidance for Auditors During the Coronavirus Pandemic
<https://www.iaasb.org/focus-areas/guidance-auditors-during-coronavirus-pandemic>



IESBA COVID-19: Ethics & Independence Considerations

<https://www.ethicsboard.org/focus-areas/covid-19-ethics-independence-considerations>

IFAC Knowledge Gateway: COVID-19: From Response to Recovery

<https://www.ifac.org/knowledge-gateway/discussion/covid-19-response-recovery>

ICAEW Coronavirus and audit

<https://www.icaew.com/coronavirus/audit>

CPA Australia Reporting and auditing during COVID-19

<https://www.cpaaustralia.com.au/tools-and-resources/covid-19-support/reporting-and-auditing>

(Some resources are drawn from other professional bodies)

Sincere regards,

Standard Setting Department

Hong Kong Institute of Certified Public Accountants

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