

# What Impact Will the Pandemic Have on Audits?

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In today's new "normal" during the Coronavirus pandemic, there are many uncertainties, and audits are no exception. While there are several unknowns, one thing is certain – your audit will certainly occur, and there will likely be no relief in deadlines. This article will outline some of these possible updates and help you prepare for your upcoming audit by discussing the following changes to audits as a result of the pandemic:

- A remote working environment for both the auditor and auditee
- Process changes and internal control updates
- Auditing process changes
- Federal program changes
- The changes in risk of fraud
- Reporting disclosures

**Working Environment.** The alteration of working environments is the most notable and drastic change the pandemic caused. Prior to March 2020, most individuals were perhaps working in an office setting. Now, it is more common to see individuals working remotely from home and entire offices shifting to a more remote or flexible environment. Remote working increases the use of technology. Discussions for the audit are now being held via videoconference and phone, and more documents are being sent electronically. Rather than visiting client sites on a regular timeline for the audit, [remote auditing](#) is being utilized; consequently, follow-up to audits is being completed electronically as well.

**Processes and Controls.** Changes to processes has been another significant change due to the pandemic. Entities are experiencing changes to processes in order to accommodate a remote work environment. For instance, if an entity has hourly individuals that utilize a timeclock, this processes may have been modified in the remote work environment via the use of a spreadsheet or another electronic check-in method. During the audit, there will be additional discussions about processes and internal controls to confirm our understanding of the changes. Now, along with discussing the processes and roles prior to the pandemic, there will also be discussions about changes since the pandemic and remote work environment.

**Financial Statements.** Along with there being so many alterations to working processes, there will also be changes to financials. Since the world has not seen a pandemic like this in over 100 years, the prior year financial data will not be comparable to this year, and presumptions will be difficult. There will be additional audit procedures and testwork to ensure that the financial statements are free of material misstatements due to fraud and error. For example, in instances where it might not have been necessary to test individual transactions in previous years, it will perhaps be necessary for auditors to test detailed transactions to gain confidence over an account balance. Auditing procedures will be modified and analyzed on a case-by-case basis for each entity to ensure that balances are materially stated.

**Reporting Disclosures.** The pandemic can also cause updates to the financial statement note disclosures. Additional disclosures due to COVID-19 will be on an entity-by-entity basis, but some examples of disclosures could include significant changes to: construction projects, bond issuances (or loans), operational changes, financial estimates, labor force changes, technology changes, an entity's going concern ability, and other changes. Note disclosures will be evaluated throughout the audit and will be meaningful and significant to the financial statement readers.

**Federal Single Audit.** As with financial statement audits, single audits will also be affected by the pandemic. Processes and internal controls will be discussed and have additional considerations relating to the pandemic changes. Federal funding is expected to change, perhaps drastically, for many entities because of the coronavirus and [CARES Act funding](#). The change in funding could cause a change in the major program determination or could cause an entity to meet the threshold for having a single audit in the first place. Like the financial statement audit, testwork will be evaluated on a per entity basis and an individual account balance basis.

With such vast changes to processes and procedures, there will be an increased evaluation of material misstatements due to fraud. Fraud risks will continue to be evaluated throughout the entire audit period—both before and during the pandemic. There is an increased possibility that a change in processes could cause an increase in the likelihood of fraud. Because of this, the risk of fraud will be evaluated in conjunction with processes changes due to an entity's new working environment.

The pandemic upended the world, including the auditing world. There are still many uncertainties within the processes and procedures of auditing governmental entities. Auditing procedures will be evaluated on a case-by-case basis for each entity and will continually be evaluated as additional information is available related to COVID-19.

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