

Auditing After COVID-19

Ali Ghaffari

Deputy Principal Auditor

Supreme Audit Court of the Islamic Republic of Iran



Abstract

In recent months, the COVID pandemic has affected the entire human ecosystem, and accounting and auditing are no exception. The limitations that the COVID has caused have led auditors toward remote auditing. In fact, auditors need to use alternative methods to perform their duty, and in this case, communication through information technology and cyberspace is effective.

IT Based Auditing

Prior to COVID, the use of technology, especially in data extracting and analysis, was the biggest revolution of the auditing profession. However, in some countries, auditing suffers a lag in the use of IT-based Audit. The emergence of the COVID and its consequences, rose the necessity of information technology, especially in public and private sector auditing.

We all face many COVID oriented hardships and challenges in our personal and professional lives, which all of them are valuable lessons to learn. Discussing the consequences of the recent crisis on financial reporting helps us to understand the required changes to consider in our present auditing methods and look for alternative ways to apply on testing internal controls, implementing substantive tests and the way of gathering audit evidences.

Consequences of COVID on Financial Systems

- 1- The absence of 30% to 50% of the staff, lack of access to workplace in some jobs, teleworking and staff turnover may cause some insufficiencies on the internal control application. Therefore, the establishment of alternative appropriate controls with the pandemic conditions is an unavoidable necessity.
- 2- To prevent the virus spreading, most businesses were shut down for one to two months at the end of the fiscal year. As a result, taking inventory was not completed at the mentioned period and it was not possible for auditors to monitor it in the auditee (entity).
- 3- Following the mentioned compulsory closures, the legal deadlines for spending public funds, submitting financial statements and tax returns were extended by the Legislature. Due to this, preparation of financial statements and delivering accounting records and other supporting evidences to the auditors were significantly delayed.
- 4- The allocation of significant amounts of aid, facilities and tax allowances by the governments to fight against the coronavirus also increased the risk of crime and financial misconduct.
- 5- Therefore, the risks and uncertainty of the

economic environment and accounting information have increased. In such conditions, it is generally expected that the rate of fraud and corruption will increase both at the level of employees and managers.

6- The consequences of coronavirus are not the same for all government and non-government entities, and as a result, auditors should consider the impact of this crisis separately for the auditee.

7- In the current difficult situation, in order to enable auditors to detect frauds and financial corruptions and to prepare an effective and timely annual audit report for the parliament, it is necessary for the SAI to provide auditors with

online access to databases and the other IT systems prescribed by legislators for government agencies, and equip them with advanced auditing software or computer-assisted audit tools.

8. The risk-based auditing and the use of techniques such as Analytical Procedures, Remote Inquiry (talking to the client or people) and Observation in accordance with health protocols should be highly regarded.

9. SAI's measures and investments for eliminating the above-mentioned shortcomings must be increased and accelerated.