

FRC guidance for auditors arising from the coronavirus pandemic

16 March 2020

The Financial Reporting Council (FRC) has today issued [updated guidance](#) for auditors which may be facing practical difficulties in carrying out audits as a result of the COVID-19 pandemic (coronavirus).

Uncertainty about the immediate outlook for many companies has increased sharply. This has consequences for companies proposing to report results in the coming months, and for their auditors.

Some companies and auditors are also facing practical difficulties in preparing accounts and carrying out audits. Given restrictions on travel, meetings and access to company sites in some jurisdictions, audit firms may need to consider developing alternative audit procedures to gather sufficient, appropriate audit evidence.

The FRC is concerned that the current situation should not undermine the delivery of high-quality audits. Audits should continue to comply fully with required standards. In current circumstances additional time may be required to complete audits and it is important that this is taken, even at the risk of delaying company reporting.

In light of the evolving situation, auditors will need to consider the impact of coronavirus on:

- How they gather sufficient, appropriate audit evidence, recognising that the planned audit approach may need to change and alternative procedures developed;
- How the group auditor proposes to review the work of component auditors;
- The auditor's assessment of going concern and the prospects of an audited company;
- The adequacy of disclosures made by management about the impact of COVID-19 on the company;
- The need for the auditor to reassess key aspects of their audit as a result of the fast-changing situation, which may require management to provide further evidence.

Auditors will need to engage with the entities they audit to ensure they set clear expectations as to the level of disclosure they expect to see in annual reports to communicate the impact and risk of COVID-19 on the company.

Companies also need to understand that it is vital auditors have sufficient time and support to carry out their work to a high standard, including reassessing work done to reflect changed circumstances. In some cases, companies may need to reconsider their reporting deadlines.

The FRC's Executive Director of Supervision, David Rule said:

“Given the growing impact of coronavirus on the global economy and the high degree of uncertainty, high-quality audits are vital to ensure users of financial statements are properly informed.”

“In many instances, auditors will need to consider developing alternative audit procedures to gather sufficient, appropriate audit evidence.

“Audits should continue to comply fully with required standards. Additional time may be required to complete audits and it is important that this is taken, even at the risk of delaying company reporting.

“The FRC remains in close discussions with the largest audit firms to ensure any issues are being appropriately managed.”

The FRC is currently holding weekly calls with the largest UK audit firms and will continue to monitor the situation carefully.

A link to the full guidance can be viewed [here](#).

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