



Date : 26th June 2020

Advisory on Disclosures in the Audit Report in light of the Lockdown due to COVID19 Pandemic

The Novel Coronavirus COVID19 is a Global Pandemic and has disrupted the social & business activities worldwide. Governments all across the world have devised strategies suitable to the local conditions to battle this Pandemic. One of the most popular strategies has been imposing of complete / partial Lockdown. The Indian Government along with full support & cooperation from State Governments has adopted a policy of phase wise Lockdown to battle this Pandemic.

In India the lockdown started taking effect from 22nd March 2020 when Hon. Prime Minister Shri. Narendra Modi ji announced 'Janata Curfew' for 14 Hours. Official National Lockdown commenced from 24th March 2020. As on date the India has seen 5 Phases of Lockdown with gradual relaxations in the norms. Currently we are in Lockdown 5.0 or Un-Lockdown 1, which will extend till 30th June 2020. Though the Government has introduced a lot of relaxations over these phases of Lockdown, there has been considerable impact on travelling / commutation throughout the country.

Any Audit process requires the Professionals to visit the respective offices / plants / units / branches of the organisation to assess the effectiveness of the Internal Controls and checking of the relevant documentation / record / statements to gain reasonable assurance towards the accuracy and authenticity of the record. It also enables him / her to form his / her opinion whether the records give true and fair view and adhere to the relevant Auditing & Accounting Standards.

Travelling restrictions due to this Lockdown has affected the Professionals engaged in the Audit & Assurance Function. Since the Professionals are not able to physically visit the organisations, they are carrying out the Audit & Assurance work using Online Auditing Techniques. Even if such techniques of Online Auditing are deployed by the auditors taking utmost care and diligence, they can't match the level of assurance that is obtained by carrying out physical processes. Under these circumstances it is important that relevant Disclosures are made by the Professionals so as to give full disclosure to the reader of the Audit Report. This also helps safeguard the interest of the Auditors as they have deployed various techniques of Online Auditing.

Technical Cell (Cost Audit & Statutory Compliances) of The Institute of Cost Accountants India has considered this challenge faced by the Professionals engaged in Audit & Assurance Function and has come out with this Advisory on **Disclosures in the Audit Report in light of the Lockdown due to COVID19 Pandemic**. The Advisory gives **Model Disclosures** that can be used by the Audit & Assurance Professionals (including Cost Auditors) considering the limitations in Audit Processes due to Lockdown on account of COVID19 Pandemic. The Model Disclosures suggested as part of this



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Advisory are generic in nature and can be used for purpose of any Audit & Assurance assignment (including Cost Audit under Section 148 of The Companies Act, 2013). The professionals are advised to use the Model Disclosures based on the actual scenario on case to case basis and if required modify the same to the extent relevant.

In case of any specific technical query regarding proposed Model Disclosures and / or their interpretation, the same can be referred to the Technical Cell of the Institute along with the details of the Industry and giving actual practical issue faced. The query can be sent to the Technical Cell on technicalcell@icmai.in

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A. Impact of COVID19 Lockdown on the Operations of the Company and Resumption of Operations post COVID19 Lockdown

The Operations of the Company during the year ended 31st March 2020 were marginally / seriously affected due to Lockdown announced by the Central / State Governments in the month of March 2020 due to the outbreak of Novel Coronavirus COVID19.

Due to the Lockdown announced by the Central / State Governments the operations of the company were shut down from _____ (*mention the date*) (*if different dates for different plants, please mention individually*). As per the relaxation offered by the respective Central / State governments and local authorities, the Company has resumed its operations at various plants in a phased manner since ____ (*mention the date*) (*if different dates for different plants, please mention individually*) conforming to the guidelines of the Government.

B. Comment on the Physical Visit to the Plants

The nationwide Lockdown process started from 22nd March 2020 in form of a 14 Hr. 'Janata Curfew'. A formal National Lockdown was announced by the Central Government from 24th March 2020 in successive phases. This has resulted into serious restrictions on travel. Hence there have been limitations on physical visits to the head office / units / plants / branches / offices / etc. of the Company. In light of the said travel restrictions, I/we have visited _____ (*mention the names of the units / plants / branches / offices of the company*) / I/we have not visited the Company. (*strike whatever not relevant*)

Form CRA 3 (Form of the Cost Audit Report) requires Cost Auditor to comment on the adequacy of the data / information / returns received for the purpose of Cost Audit, from the branches not visited by us. I/We would like to mention that due to the Lockdown situation as mentioned above, I/we were not able to visit any / some of the branches of the Company. (*strike whatever not relevant*) But I/we have received the relevant data / information / record / returns from the branches not visited by us.

C. Audit using Online Auditing Method / Techniques

In light of the restrictions in physical movement and visits to the company offices, the Company has given us access to their ERP System. I/We were able to access the relevant data & records for my/our Audit purpose. Further the



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company has provided all other data / information / records as required by us using e-data sharing modes. I/We also had continuous communication with the Audit Team & Management of the Company using various modes such as Audio / Video Conferencing, etc.

In this respect, I/we have followed the 'Advisory on Auditing and Assurance assignments during the Period of Lockdown and Restrictions on Travelling' issued by The Institute of Cost Accountants of India to the extent relevant and applicable.

OR

In light of the restrictions in physical movement and visits to the company offices, the Company has provided all the data / information / records as required by us for the purpose of my/our Audit using e-data sharing modes. I/We also had continuous communication with the Audit Team & Management of the Company using various modes such as Audio / Video Conferencing, etc.

In this respect, I/we have followed the 'Advisory on Auditing and Assurance assignments during the Period of Lockdown and Restrictions on Travelling' issued by The Institute of Cost Accountants of India to the extent relevant and applicable.

D. Online Verification of the Document / Records / Statements & Assurance about the accuracy and authenticity of the same

Due to the phase wise Lockdown imposed by Central / State Governments and the resulting travel restrictions, it was not possible to physically visit the Company and carry out the audit function. I/We have carried out the Audit Process using various techniques of Online Auditing. I/We have verified the records / documents / statements received by us through electronic media. I/We have also received Management Representation Letters where ever necessary. Using such techniques I/we have ensured reasonable assurance that the information / record / statements provided to us are free from material misstatement and adhere to the relevant standards.

In this respect, I/we have also followed the 'Advisory on Auditing and Assurance assignments during the Period of Lockdown and Restrictions on Travelling' issued by The Institute of Cost Accountants of India to the extent relevant and applicable



E. Physical Inventory Count on a date other than the date of the Financial Statements

Due to the Lockdown imposed by the Central / State Governments in wake of the COVID19 Pandemic, it was not feasible for the Company to carry out a Physical Inventory Count on the date of the Financial Statements, i.e. on 31st March 2020. The Company has decided to opt for Physical Inventory Count at a date other than the date of Financial Statements. I/We have / have not attended the Physical Inventory Count in person / through online mode. *(strike whatever not relevant)* The Company is following / not following *(strike whatever not relevant)* a system of Perpetual Inventory Count. I/We have followed various Roll Forward Techniques for establishing reasonable authenticity and accuracy of the Physical Inventory Count. I/We have relied upon the records of material movement, purchases, sales, goods receipts, scrap, etc. as made available to us by the management. I/We have relied on the data / information as certified by the management or certified by other independent auditors, wherever required.

F. Formation / Expression of Opinion

I/We have carried out the Audit Process using Online Mode. I/We have carried out the Audit Process subject to my/our disclosures as mentioned above. The audit evidence obtained by us is adequate to express my/our audit opinion. While expressing my/our audit opinion, I/we have also relied upon certifications by the management or certifications by other independent auditors, wherever required.