

March 18, 2020

To JICPA Members

The Japanese Institute of Certified Public Accountants

Audit Consideration related to COVID-19 (Part 1)

JICPA issued a note titled “Audit Consideration related to COVID-19 (Part 1)”. Please find below the English translation summary of the note (original note is in Japanese). Full translation of the note will be released afterward.

Currently in Japan, measures are expected to be taken to prevent the spread of COVID-19, accordingly the business activities of companies and auditors are expected to be affected. Even under such circumstance, it is desirable that the auditors exercise their professional judgement while taking into account the risk of the spread of the infections, and take steps to obtain sufficient appropriate audit evidences with the cooperation of the audited companies. The followings are the matters for the auditors to consider under the current situation. Additional matters may be added as the situation changes.

1. Considerations on Audit Procedures

(1) Inventory Observation

It may be necessary to reconsider practicability of attending the company’s inventory counting.

(2) External Confirmation

It is assumed that responses to the confirmation will not be obtained from financial institutions and companies located overseas as business operations may be suspended or delayed under this circumstance.

(3) Reliability of audit evidence

Auditors may be restricted on-site visits to the audited companies.

(4) Group audit

The activities of components of audited companies and component auditors may be restricted.

2. Response to audits of companies whose fiscal year-end have already passed

Even companies whose fiscal year-end have already passed at the time of issuance of this note, they would need to carefully consider the effects of a reduction or suspension of business activities due to COVID-19.

3. Audit of internal control over financial reporting

For listed companies, the impact on internal control audits must also be considered.

4. Extension of audit schedule, etc.

It should be noted that depending on the progress of audit procedures, the audit schedule needs to be revised as well as the submission date of auditors' reports. It is also necessary to pay attention to the account closing schedule of the audited companies.