

## **Audit Implications on The Financial Reporting Process in Pakistani Companies During Covid-19**

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### **ABSTRACT**

#### ***Purpose***

This study has been conducted in Pakistan to examine the impact of Covid-19 on the audit of financial reporting of companies. The audit is conducted to get a reasonable assurance on the financial reporting of the company asserted by the management.

#### ***Methods***

For the purpose of this research, primary data has been used which is collected through online questionnaire form. A sample of 100 respondents has been collected, belonging to the field of external auditing. Risk assessment, audit evidence and going concern are taken as independent variables and audit implications are taken as dependent variables to study the impact of Covid-19. All descriptive analysis, diagnostics tests and regression were applied for comprehensive data analysis.

#### ***Results/Findings***

It is concluded that there are difficulties related to accessing the resources for audit, the auditors are also facing issues with respect to problems and queries solving and auditors need to put up more efforts in order to develop the independent opinion.

#### ***Novelty/originality of the study***

Covid-19 has resulted in many challenges to the auditors in terms of different aspects required to develop an independent opinion. This study provides guidelines to auditors for any sort of unfortunate future pandemic situation.

**Key words:** Financial reporting, audit, Risk assessment, audit evidence

## **1.INTRODUCTION**

COVID-19 was initially reported in Wuhan, China and made its way out within weeks and was spread around the world (Khan, 2020). On 4th January 2020, World Health Organization (WHO) first publicized the information about spread of a new pneumonia like disease in Wuhan, China. After almost two months on 11th March 2020, WHO declared this disease a global pandemic and named it as Covid-19 pandemic (Asghar, 2020). As of February 25, 2022, COVID-19 had infected over 430 million people worldwide, according to WHO data. Apart from its impact on the public health, Covid-19 has caused a major global economic shock (Bartik, 2020). In his study, Shafi (2020) also concluded that national and global economies are seriously affected by the Covid-19 pandemic. The Corona Virus Disease 2019 (Covid-19) that has emerged as a global pandemic has considerably significant financial effects globally (Albitar, 2020). In the study of Howard B. L.(2020) it is concluded that in Covid-19 there are high financial reporting and auditing implications and this period is named as the most challenging reporting periods ever.

Lockdown enforcement in Pakistan was made in less than a day which halted business operations and has significant impact on almost all business enterprises operating in Pakistan. Shafi (2020) Industries and manufacturing sectors in Pakistan were highly affected by lockdown which resulted in the closure of factories and industrial plants in the country. Asghar, (2020) COVID-19 disruptions have affected businesses differently as some were important and remained open throughout lockdown, and some were closed. Some successfully shifted their employees to remote working, and some could not make to shift employees to work from home (Bartik, 2020). Practical difficulties may be faced by the auditors in performing audits due to traveling restrictions, problems in access to client locations and meetings ((ICAI., 2020).

The COVID-19 global pandemic has many implications on disclosure, accounting, internal control, and auditing of entities ((ICAI), 2020). Pakistan is one of the countries which has been facing hardest-hit by this globally declared pandemic (UNCTAD, 2020). Therefore, COVID-19 outbreak impact should be examined on audit implications on financial reporting.

From the study of Bunget (2020) it is recommended that the auditors and the board of directors should avoid using inappropriate information that was not conditioned by events or expectations at the reporting date. The companies should also disclose the information about its assumptions regarding the future projections and other estimations or uncertainties (Australian, 2020).

Financial Reporting Council, (2020) stated that in this Covid-19 time, auditors will have to weigh the effect of COVID-19 on the risk assessment of auditors and whether or not it needs to be updated. How the auditor 'gathers adequate, relevant audit evidence' understanding that the planned audit method might need to be modified and alternative procedures established, in particular in-group audit engagement, in order to report or consider modifying audit opinion, the auditor must be able to collect the necessary evidence. Uncertainty about the global economy and the immediate outlook for many businesses has increased the auditor's evaluation of going concern.

As a result of the rapidly changing situation, the need for the auditor is to reassess key aspects of the audit recognizing that this review would take place right up to the point of signing the auditor's

report and will need to include more documentation and information from management, also quoted by Albitar, (2020) in their study.

Financial Reporting Council, (2020) also encourages examining and studying Covid-19 impact on risk assessment, audit evidence and going concern and its impact on auditing of the financial reporting. Risks circulating in all audit areas in this pandemic should be closely examined (Howard B. L., 2020). The external auditors provide credibility to financial statements and gather evidence which is of sufficient quantity and quality to support auditor's opinion (Budescu, 2012). Covid-19 has caused substantial deterioration to economies hence necessary disclosures as per "IAS-01 Presentation of Financial Statements" relating to material uncertainties needs to be disclosed that may lead towards significant doubts on the company's ability to operate as a going concern (Ghaniwala, 2020).

To ensure the reliability of financial reports, auditors are responsible to assess the quality of financial reports: Shuraki (2020) Auditors are required to carefully examine the financial reports to give an opinion on financial statements that they are presented in conformity with the accounting standards, and to identify those circumstances in which such standards have not been consistently complied in the preparation of current period financial reports in relation to those in the previous period.

Syahputra (2020) described in his study and concluded that quality of financial reporting has been impacted by Covid-19 pandemic. Financial statements are a major medium for communicating financial information to parties outside the entity. Quality of financial statements is expected to improve if audit of financial statements is conducted by third party. Financial statements benefit its users therefore financial statements should have a quality information value and should be useful in decision making (Syahputra, 2020).

### 1.1 PROBLEM STATEMENT

Quality of financial reporting is affected by Covid-19 pandemic (Syahputra, 2020). Covid-19 pandemic consequences on financial reporting made challenges for auditors (Arnold, 2020). Auditors are required to carefully examine the financial reports so that they can opinionize on the financial reports (Owolabi, 2020) and also to assess that are internal controls working effectively and efficiently of the company however, due to Covid-19, there are so many meeting restrictions and denied access to locations of clients, sufficient and appropriate audit evidence collection has become difficult, going concern assumption is hit by pandemic and risk assessment in external audit has limitations. (Advisory, 2020). Auditors are facing so many difficulties in conducting audits remotely (Howard B. L., 2020) which results in audit implications due to which quality of financial reporting is affected.

### 1.2 RESEARCH QUESTIONS

- i. Does Covid-19 affect the auditor's risk assessment of the company in terms of the financial reporting process.

- ii. Does Covid-19 affected auditors in obtaining sufficient evidence and does it became challenging for the with respect to audits conducted in times of social distancing, remote working and other restrictions imposed by the government?
- iii. Does Covid-19 affected the going concern assumption of the companies and auditor's assessment of going concern validity in the period of complete lockdown and shut down of operations.

### 1.3 RESEARCH OBJECTIVES

- i. To investigate the audit implications arising due to challenges related to risk assessment of companies during the period of Covid-19.
- ii. To investigate the audit implications arising as a result of challenges faced by auditors in obtaining sufficient evidence during the period of Covid-19 to form an opinion on the financial reporting process of company.
- iii. To investigate the audit implications arising due to challenging validation of company's going concern assumptions during the period of Covid-19.

## 2. LITERATURE REVIEW

(Ioana ) 2012 in his paper studied how global crisis have impacted activity of accounting and audit field. The modern economic world is in a continuous modeling phase aimed at developing business structures. Developing cycles alternate with those of decline and, thus, periods of crisis with varying severity and duration can occur and cause reorganization and resizing. Global crisis has caused organizations to practice the practices which were improper and scandals which have ultimately shaken the trust in business safety. The world after crisis has focused on corporate governance structures, supervisory activities, risk management and accounting practices, and tax practices. With regard to the accounting industry, the implementation of International Financial Reporting Standards (IFRS) is a must so that comparability and transparency is ensured in financial statements. Yang Xu, (2011) in his paper studied the auditor's response to the global financial crisis. Economic growth was limited by the Global Financial Crisis, markets of equity and credit were affected, and risk of business was increased. Corporate disclosures and audit reports should convey a risk to the extent that this higher risk contributes to higher ambiguity about a company's ability to survive as going concern. Modified records of ambiguity which relates to the assumption of going concern rose from 14% for the financial years which ends in 2003 to 21% for the financial years which ends in 2008. The Global Financial Crisis dramatically increased the business risk of clients and which need to be reflected in audit reports to the extent that this higher risk contributes to higher ambiguity about the ability of businesses to survive as a going concern. It is important to analyze whether during the Global Financial Crisis the updated audit reports incidence is changed or not. During the Global Financial Crisis, potential studies should assess the accuracy of going concern alerts and use better techniques to determine the client's risk of not continuing as a going concern. This is demonstrated by the rising demand from borrowers for loan renegotiation and the decline in a number of businesses as a result of the pandemic's effects. Credit risk influences provisioning costs, which raises the cost of credit (Oberson, 2021). The primary cause of financial crises that affect banks worldwide is credit risk. Qualitative characteristics which are relevancy,

reliability, comparability and understandability reflect the financial statements quality in a study of North Sumatera Province, Indonesia (Syahputra, 2020). There are complex consequences on financial statements reporting in Covid-19 and engagements of audit which has become challenging for the management, auditors and those charged with governance. There is a remarkable degree of vulnerability about the economy, future profit and numerous different sources that represents financial reporting elements which are fundamental. The preparers of the financial statements are likely to consider substantial and various financial reporting implications for the purposes of reporting in the short and probably intermediate term. Covid-19 impact on audit is discussed in detail in this paper. Method used is “Desk study” to explore how Covid-19 has impacted the audit quality of five key considerations during global pandemic. Going concern assessment, audit fees and human capital of auditor, procedures of audit and personnel salaries of auditors are included in five key considerations. Study further focuses on the Covid-19 outbreak that how social distancing has affected fees of audit, the company’s assessment of going concern, audit of human capital, procedures of audit and personnel salaries of auditors which together poses an impact on quality of audit (Albitar, 2020). The study of Cohen (2013) examines the audit committee impact on industry expertise on effectiveness of audit committee in financial reporting process monitoring. Two measures are applied for financial reporting quality in this research namely “restatements” and earnings management using discretionary accruals. However, this study identifies occasions where audit committee member who have expertise of industry and supervisory are linked external auditor’s effective monitoring and high quality of financial reporting. The study results conclude that have industry expertise must be possessed by audit committee members besides accounting expertise so that financial reporting process can be effectively monitored. The study of Levy (2020) discusses that companies in Covid-19 must audit and report on their financial conditions, operations, and flow of cash. There will be many interrelated financial reporting and auditing implications in Covid-19 pandemic and further elaborates its impact on the economic activity. Also, this study provides a practical guide for auditors and financial statement preparers so that proper professional skepticism and substantial judgement could be applied so that facts are assessed properly and to ensure that standards are functioning properly. Estimates are used to ensure there is timely financial reporting that permeates issues resulting from Covid-19. As for now in this pandemic these estimates will be less reliable and difficult. Prior year estimates which were carried forward needs to be revisited again from Covid-19 perspective. The accounting estimates should be supported by sufficient evidence which is objective to be accepted by auditors that they provide relevant information which is available on financial statements issue and are not any influence of management. No influence of management entails risk assessment has been done carefully and professional skepticism has been applied during evaluation. However, if insufficient evidence is available the fact needs to be appropriately disclosed. Circumstances in Covid-19 pandemic needs to be examined very carefully in connection to risk assessment process in audit. Covid-19 poses risks for auditors when it comes to assessing clients records particularly where records are still maintained on paper.

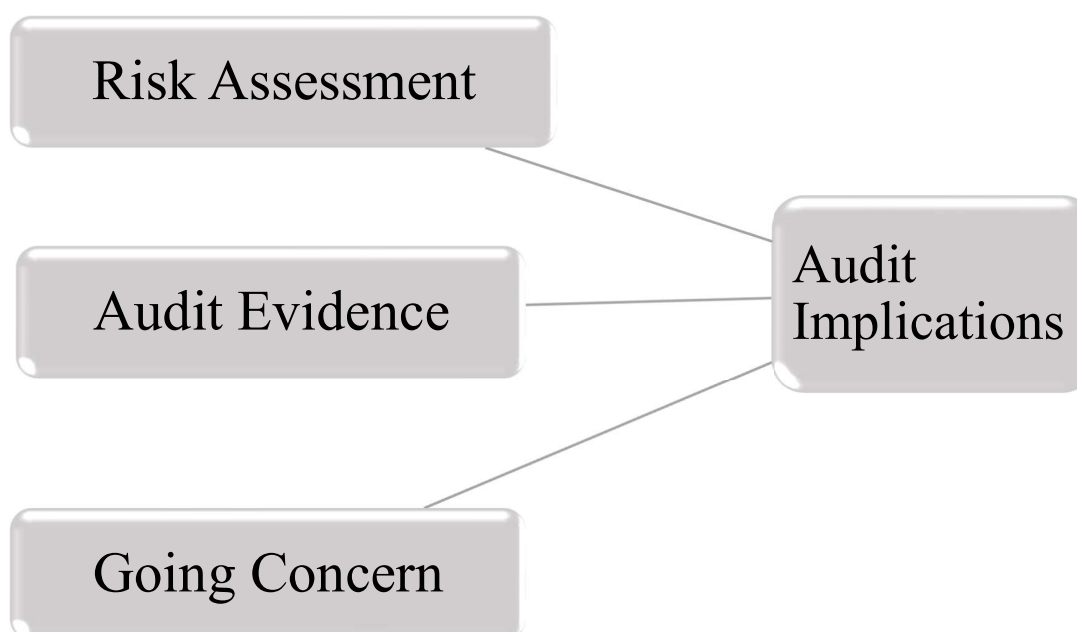
### 2.1 RESEARCH GAP

Studies show findings on impact of Covid-19 outbreak on audit implications and financial reporting. There is a great deal of uncertainty in Covid-19 situation and how it evolves and change scenarios rapidly as due to increasing travel restrictions, meetings and client locations access, auditors are facing many difficulties in conducting audit (Advisory, 2020). To highlight the impacts of Covid-19 a very limited number of studies are studied and recently published (Albitar, 2020) and a study which explores the impact of Covid-19 outbreak on audit implications on financial reporting process is non-existent in Pakistan. This study fills the gap of inspecting the impact of Covid-19 with respect to audit implications on financial reporting process in Pakistan.

### 2.2 CONCEPTUAL FRAMEWORK

INDEPENDENT VARIABLES

DEPENDENT VARIABLE



### 2.3 THEORITICAL FRAMEWORK

The independent variables are Risk Assessment, Audit Evidence and Going Concern and dependent variable is Audit Implications. Covid-19 has posed many challenges in the way we do business today. An understanding of the entity's system of internal controls relevant to the audit assists when identifying any significant misstatements (Appelbaum D. B., 2020). Risk assessment of companies' internal processes by auditors has become crucial in this era of Covid-19. As per the international standard, obtaining audit evidence requires that the auditor should design and perform necessary audit procedures to collect sufficient and appropriate audit evidence in order to draw conclusions on which auditor can base his independent opinion (Arnold, 2020). The international standard related to going concern deeply emphasize on the assessment of management that whether the company is able to operate as a going concern (Arnold, 2020).

Auditor's opinion on the financial reporting is affected if the auditor does not agree with the basis on which the financial statements are prepared.

## 2.4 HYPOTHESIS DEVELOPMENT

### Risk Assessment

Ho: Performing risk assessment of internal controls of companies by auditors in era of Covid-19 has become challenging due to new risks arising and changes which do not impact audit and poses implications on financial reporting.

Ha: Performing risk assessment of internal controls of companies by auditors in era of Covid-19 has become challenging due to new risks arising and changes which impact audit and poses implications on financial reporting.

### Audit Evidence

Ho: Obtaining sufficient and appropriate audit evidence in Covid-19 restriction has become challenging for the auditors and subsequently do not pose audit implications on financial reporting of the company.

Ha: Obtaining sufficient and appropriate audit evidence in Covid-19 restriction has become challenging for the auditors and subsequently pose audit implications on financial reporting of the company.

### Going Concern

Ho: Evaluating appropriateness of going concern assumption of management by auditors has become extremely challenging during Covid-19 which do not impact audit opinion on financial reporting

Ha: Evaluating appropriateness of going concern assumption of management by auditors has become extremely challenging during Covid-19 which impact audit opinion on financial reporting

## 3. RESEARCH METHODOLOGY

The research design is exploratory with deep review of available literature, research papers, articles and reports on relevant field. It explores the Covid-19 impact on audit and its implications of financial reporting process. The research is conducted on Covid-19 period data. The results for primary research will be analyzed to determine the impact of Covid-19 on the financial reporting. The research method is quantitative in nature, taken a survey of respondents which is quantified to analyze relationship among the variables to test hypothesis. Judgment (or Purposive) sampling technique is used for collection of primary data through questionnaire. For the purpose of this research, primary data is used which is collected through online questionnaire form. The sample

of 100 respondents is collected (Shafi, 2020), belonging to the field of external auditing is taken for the purpose of this research. Instrument for this examination was questionnaire.

#### 4. DATA ANALYSIS

This chapter discusses the results of the primary data collected. The software used for analysis of data is SPSS.

##### *Case Processing Summary*

		N	%
Cases	Valid	100	100.0
	Excluded <sup>a</sup>	0	.0
	Total	100	100.0

- a. Listwise deletion based on all variables in the procedure.

#### 4.1 RELIABILITY STATISTICS

##### *Reliability Statistics*

Cronbach's Alpha	N of Items
.784	20

The overall alpha coefficient for the 20 items is 0.784, suggesting that the items have relatively high internal consistency.

Construct wise reliability:

Audit Implications

##### *Reliability Statistics*

Cronbach's Alpha	N of Items
.638	5

Going Concern

##### *Reliability Statistics*

Cronbach's Alpha	N of Items
.411	5

Risk Assessment

##### *Reliability Statistics*

Cronbach's Alpha	N of Items
.690	5

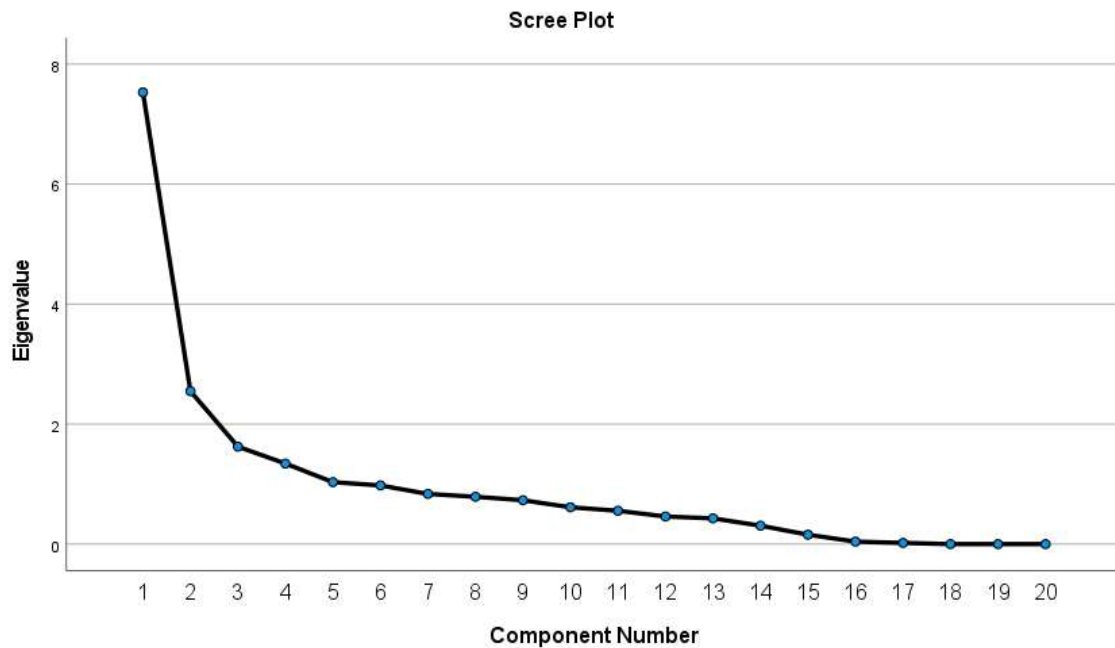


## Audit Evidence

*Reliability Statistics*

Cronbach's Alpha	N of Items
.553	5

## 4.2 CONFIRMATORY FACTOR ANALYSIS



The confirmatory factor analysis shows how good fit the adopted items are. Items above 0.5-01 are considered good fit.

## 4.3 CORRELATION ANALYSIS

The researcher conducted Correlation analysis through bivariate Pearson Correlation which shows strength and direction of relationship between dependent and independent variables.

*Correlations*

		RA Avg	AE Avg	GC Avg	AI Avg
RA_Avg	Pearson Correlation	1	.788**	.765**	.645**
	Sig. (2-tailed)		.000	.000	.000
	N	100	100	100	100
AE_Avg	Pearson Correlation	.788**	1	.975**	.951**
	Sig. (2-tailed)	.000		.000	.000

	N	100	100	100	100
GC_Avg	Pearson Correlation	.765**	.975**	1	.915**
	Sig. (2-tailed)	.000	.000		.000
	N	100	100	100	100
AI_Avg	Pearson Correlation	.645**	.951**	.915**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	100	100	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

In the figure above:

Correlation and 2-tailed significance value of independent variable “Risk Assessment” and dependent variable “Audit Implications”. The first value of Pearson’ r-i.e. correlation coefficient is “.645” which shows a positive strong correlation. 2-tailed significance level in this case is “<.001” which is less than “0.05”. Hence, Ho is rejected this means, performing risk assessment of internal controls of companies by auditors in era of Covid-19 has become challenging due to new risks arising and changes which impact audit and poses implications on financial reporting.

Correlation and 2-tailed significance value of independent variable “Audit Evidence” and dependent variable “Audit Implications”. The first value of Pearson’ r-i.e. correlation coefficient is “.951” which shows a positive strong correlation. 2-tailed significance level in this case is “<.001” which is less than “0.05”. Hence, Ho is rejected this means, obtaining sufficient and appropriate audit evidence in Covid-19 restriction has become challenging for the auditors and subsequently pose audit implications on financial reporting of the company.

Correlation and 2-tailed significance value of independent variable “Going Concern” and dependent variable “Audit Implications”. The first value of Pearson’ r-i.e. correlation coefficient is “.915” which shows a positive strong correlation. 2-tailed significance level in this case is “<.001” which is less than “0.05”. Hence, Ho is rejected this means, evaluating appropriateness of going concern assumption of management by auditors has become extremely challenging during Covid-19 which impact audit opinion on financial reporting.

#### 4.4 REGRESSION ANALYSIS

##### *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.967 <sup>a</sup>	.935	.933	.09518

a. Predictors: (Constant), GC\_Avg, RA\_Avg, AE\_Avg

The table above shows R and R<sup>2</sup> values. R shows degree of correlation which is “.967” which shows high degree of correlation. However, R<sup>2</sup> shows the variation between dependent variable “Audit Implications” and independent variables “Risk Assessment, Audit Evidence and Going Concern”. R<sup>2</sup> is 93.5% which is very large.

*ANOVA<sup>a</sup>*

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.546	3	4.182	461.659	.000 <sup>b</sup>
	Residual	.870	96	.009		
	Total	13.416	99			

a. Dependent Variable: AI\_Avg

b. Predictors: (Constant), GC\_Avg, RA\_Avg, AE\_Avg

*This table is ANOVA table which represents that how well the regression equation fits the data. (Statistics) The significance or p-value is .000 which indicates that the data is good fit for study as it is lower than “0.05”.*

*Coefficients<sup>a</sup>*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.009	.075		.118	.906
	RA_Avg	-.142	.022	-.275	-6.514	.000
	AE_Avg	1.328	.115	1.407	11.535	.000
	GC_Avg	-.225	.107	-.246	-2.108	.038

a. Dependent Variable: AI\_Avg

The above table is called coefficient table which determines independent variables significance to the model. This table shows p-value of “Risk Assessment” and “Audit Evidence” in column of significance which is “.000” and represents the variables are statistically significant as they are less than “0.05”. P-value of “Going Concern” is “.038” which is less than “0.05” and shows that it is statistically significant.

Regression model can be derived from the above table where, a is constant “.009” and Y is “Audit Implications”

$$Y = a + bX$$

$$\text{Audit Implications} = 0.009 + (-0.142) (\text{Risk Assessment})$$

$$\text{Audit Implications} = 0.009 + (1.328) (\text{Audit Evidence})$$

$$\text{Audit Implications} = 0.009 + (-0.225) (\text{Going Concern})$$

#### 4.5 FREQUENCY ANALYSIS

##### Risk Assessment

*Covid19 has resulted in significant revision of assessment by auditors.*

	N	%
Strongly Disagree	4	4.0%
Disagree	16	16.0%
Neutral	16	16.0%
Agree	39	39.0%
Strongly Agree	25	25.0%

*Material weaknesses have been identified in entity's operational environment.*

	N	%
Strongly Disagree	4	4.0%
Disagree	9	9.0%
Neutral	22	22.0%
Agree	19	19.0%
Strongly Agree	46	46.0%

*Risk assessment in current situation has affected the auditor's planning and strategy.*

	N	%
Strongly Disagree	4	4.0%
Disagree	11	11.0%
Neutral	11	11.0%
Agree	50	50.0%
Strongly Agree	24	24.0%

*Additional resources or expertise may be needed by auditors to properly evaluate the judgments and estimates related to circumstances brought on by Covid19.*

	N	%
Strongly Disagree	4	4.0%
Disagree	10	10.0%
Neutral	21	21.0%
Agree	20	20.0%
Strongly Agree	45	45.0%

*Risk assessment of entity's internal control policies and procedures enables auditors to increase the audit testing.*

	N	%
Strongly Disagree	5	5.0%
Disagree	9	9.0%
Neutral	14	14.0%
Agree	38	38.0%
Strongly Agree	34	34.0%

From the above results it is concluded that due to Covid-19, the risk assessment has been reevaluated and it has emphasized the auditors to change the planning and strategy so that material weakness in company's operational and control environment are identified.

#### Audit Evidence

*The auditor was given physical access to client's premises for verifications.*

	N	%
Strongly Disagree	5	5.0%
Disagree	15	15.0%
Neutral	15	15.0%
Agree	32	32.0%
Strongly Agree	33	33.0%

*Verification of internal control system of organization through direct observation was affected during Covid19.*

	N	%
Strongly Disagree	7	7.0%
Disagree	18	18.0%
Neutral	9	9.0%
Agree	25	25.0%
Strongly Agree	41	41.0%

*Reliance on management's assertions for assets / liabilities may reduce the quality of audit.*

	N	%
Strongly Disagree	5	5.0%

Disagree	15	15.0%
Neutral	16	16.0%
Agree	32	32.0%
Strongly Agree	32	32.0%

*Obtaining evidence from external sources enhances the appropriateness of audit evidence.*

	N	%
Disagree	3	3.0%
Neutral	10	10.0%
Agree	38	38.0%
Strongly Agree	49	49.0%

*Lack of sufficient and appropriate audit evidence may significantly affect auditor's opinion on the financial reporting.*

	N	%
Strongly Disagree	5	5.0%
Disagree	5	5.0%
Neutral	23	23.0%
Agree	32	32.0%
Strongly Agree	35	35.0%

From the above results it is concluded due to Covid-19, obtaining audit evidence has become challenging and as a result keeping reliance on company's assertions may result in implication on the quality of audit and the auditor's opinion.

#### Going Concern

*Covid19 alerts you to investigate deeper for going concern issues.*

	N	%
Strongly Disagree	5	5.0%
Disagree	15	15.0%

Neutral	15	15.0%
Agree	32	32.0%
Strongly Agree	33	33.0%

*The going concern assumption of management is appropriate. and adequately disclosed.*

	N	%
Strongly Disagree	10	10.0%
Disagree	24	24.0%
Neutral	9	9.0%
Agree	19	19.0%
Strongly Agree	38	38.0%

*Covid19 impacted circumstances that may call into question the company's ability to continue as a going concern.*

	N	%
Disagree	7	7.0%
Neutral	26	26.0%
Agree	21	21.0%
Strongly Agree	46	46.0%

*The going concern assumption of management is adequately disclosed.*

	N	%
Strongly Disagree	7	7.0%
Disagree	1	1.0%
Neutral	9	9.0%
Agree	29	29.0%
Strongly Agree	54	54.0%



*Due to Covid19, the reliability of management's assessment of going concern affected the auditor's opinion.*

	N	%
Strongly Disagree	5	5.0%
Disagree	15	15.0%
Neutral	15	15.0%
Agree	32	32.0%
Strongly Agree	33	33.0%

From the above results it is concluded that due to Covid-19, auditors need to deeply investigate the company's assessment of going concern that whether it is appropriate as Covid-19 may have affected the company's ability to continue. This may affect the auditor's opinion on the financial reporting.

#### Audit Implications

*Audit firm have depth of or access to adequate resources to address complex accounting and auditing questions, including industry-specific matters, as they arise in current situation.*

	N	%
Strongly Disagree	14	14.0%
Disagree	9	9.0%
Neutral	26	26.0%
Agree	30	30.0%
Strongly Agree	21	21.0%

*There are additional challenges in performing audit procedures due to current restrictions imposed by government in Covid19.*

	N	%
Strongly Disagree	4	4.0%

Disagree	18	18.0%
Neutral	26	26.0%
Agree	23	23.0%
Strongly Agree	29	29.0%

*Additional efforts are required by the auditors to ensure the performance of high quality audit.*

	N	%
Strongly Disagree	5	5.0%
Disagree	15	15.0%
Neutral	16	16.0%
Agree	32	32.0%
Strongly Agree	32	32.0%

*Auditors have ability to properly supervise and direct the work of the audit teams in times of remote auditing.*

	N	%
Strongly Disagree	6	6.0%
Disagree	14	14.0%
Neutral	16	16.0%
Agree	30	30.0%
Strongly Agree	34	34.0%

*The queries and issues raised during the audit are timely addressed by the management of company in times of remote working.*

	N	%
Strongly Disagree	2	2.0%
Disagree	12	12.0%
Neutral	17	17.0%
Agree	23	23.0%

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From the above results, it is concluded that there are difficulties related to accessing the resources for audit, the auditors are also facing issues with respect to problems and queries solving and auditors need to put up more efforts in order to develop the independent opinion.

### 5: CONCLUSION AND RECOMMENDATION

This research was conducted in the era of the Coronavirus Disease 2019 (Covid-19), when the economy of whole world is disrupted, to identify the significant implications auditors may face in this current situation. Regression and correlation analysis are done by the researcher through which it is concluded that Covid19 resulted in audit implication. The auditor plays an important role in the financial reporting process of the companies and gives an independent opinion on the financial reporting of the companies. Audit influences the trust of the investors and other stakeholders. Due to Covid19, the auditors are facing a number of challenges. The stakeholders expect the quality work from auditors and in current situation auditors are facing a number of limitations in terms of assessing the risk related to company's control and operational environment, collecting evidence that is sufficient and appropriate to develop an opinion and assess the company's assumption of going concern in the time when business are highly affected.

In the current pandemic, the risk assessments made by the auditors has been affected due to which the audit risk has increased significantly. Due to lockdown and remote working, the control environment of the companies got impaired which has increased risk factors related to the financial reporting process of the companies. Communication with management is also affected and therefore there are delays in resolving of issues. Covid19 has affected the business very significantly and therefore the validity of going concern assumption has been questioned. The assumptions disclosed by the management brings up more need for auditors in current situation to deeply analyze the future projections as the operations may remain affected for an unknown span of time. Due to Covid19, auditors face inability to obtain evidence for the estimates provided by the company's management. Due to the restrictions on physical access at company's premises, inability to observe physical stock counts, scanning original documentation, assets physical verification and obtaining confirmations from external sources, it has become very challenging to develop an opinion on the company's financial reporting.

In order to prevent the quality of audit from being impaired, the auditors should revise the procedures from starting i.e. from the planning phase where they assess the risk associated with the company in the light of current situation. The auditor should inquire any significant changes in the control activities and environment and policies of the company. The auditors should set up virtual meetings with the management or those charged with governance to discuss the implications and find out alternative ways to address those implications. Obtaining evidence that is sufficient and appropriate can be done through online sources as technological advancement can be used to facilitate virtual stock takings, verification of assets and documentation.

One of the main considerations is the ability of the company to continue as a going concern and auditor should analyze this assumption of company deeply seeking additional information from management and analyzing the basis of projections made by the company.

While developing and independent opinion on the financial reporting of the companies, the auditors should keep in view the implication they faced and to maintain the quality of audit, auditors should give the report accordingly and should disclose the significant issues in their report.

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