Abstract:
The global pandemic caused by the coronavirus in 2019 had significant consequences on financial reporting and auditing of those statements, which lead to numerous challenges that both audit clients and auditors had to respond to in a timely manner. Uncertainty and risk arising from the current environment have resulted in changes in reporting and audit procedures, although these areas are strictly governed by the legal and regulatory framework. This paper will analyse the existing guidelines on COVID-19 considerations related to financial statements audit, issued by global and national regulators and professional institutes. Namely, all ISA remain in effect and additionally COVID-19 related guidelines should be used as a supplementary material. Results indicate that auditors should pay close attention to following matters: audit quality, circumstances under which audit is complied, new techniques and technologies, changes in audit procedures and approaches, obtaining audit evidence, professional judgment and professional scepticism, as well as assessment of audit materiality.

Keywords:
audit environment, COVID-19, specific matters for consideration, financial reporting, auditor reporting.

1. INTRODUCTION

The global pandemic caused by the COVID-19 is still ongoing. Today, its consequences are widely observed and recognized at the world level because it caused serious health, economic and ultimately financial crises. Measures taken to combat the virus are still in force and affect various aspects of the economy, market, and daily business activities of companies. Despite the current situation, companies are obliged to align their operations with the legal and regulatory framework. For example, having in mind legal deadlines in the field of accounting and auditing, and in order to ensure transparency and trust in these uncertain times, management of a company is obliged to submit its ordinary or consolidated financial statements on time, while auditors are obliged to submit their audit reports in a timely manner (Accountancy Europe, 2020).

There are numerous challenges that auditors are faced with in the process of performing an audit from 2019 year-end and beyond. In fact, auditors are required to fully comply with ISA to obtain reasonable assurance that the financial statements are free from material misstatements. However, mentioned standards do not place specific requirements in detail on how to perform attestation process and acquire assurance (AICPA, 2020). Therefore, one way to respond to the challenges caused by the COVID-19 is to make certain changes related to access to: source and methods of acquiring audit information, risk assessment, as well as the use of new information and communication technologies in performing audit procedures (Mizdraković, Kljajić, & Hadrović Zekić, 2021). Guidelines issued by global and national regulators, as well as professional institutes, can help auditors in responding to emerging challenges.
2. HIGHLIGHTING AREAS OF AUDIT CONSIDERATION IN COVID-19 ENVIRONMENT

There are several guidelines on implications of COVID-19 crisis in financial statements audit, and the most relevant ones are issued by The International Auditing and Assurance Standards Board (IAASB), International Federation of Automatic Control (IFAC), Auditing and Assurance Standards Board (AASB), Committee of European Auditing Oversight Bodies (CEAOB), International Forum of Independent Audit Regulators (IFIAR), American Institute of Certified Public Accountants (AICPA), Accountancy Europe, and Chartered Accountants (IAASB, 2020), (IFAC, 2020), (Accountancy Europe, 2020), (AASB–AUASB JOINT FAQ, 2020), (Chartered Accountants, 2020), (CEAOB, 2020), (IFIAR, 2020) and (AICPA, 2020). Those guidelines highlight certain areas that should be further considered in the process of planning and performing audit procedures to obtain sufficient and appropriate audit evidence. The main goal of the issued guidelines is to provide assistance to the management of the company when compiling financial reports, and to audit practitioners when performing audit engagements in the age of COVID-19 (Drew, 2020). The following table will show specific issues for consideration by area, that is, taking into account the relevant ISA.

Table 1. Highlighted areas that should be further considered

<table>
<thead>
<tr>
<th>Relevant ISA</th>
<th>Specific matters for consideration</th>
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<tr>
<td><strong>Impact of epidemic on professional judgment and scepticism</strong></td>
<td>• Circumstances under which audit is complied;</td>
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<tr>
<td>ISA 200 - Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing</td>
<td>• Determination of audit materiality;</td>
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<td>• Keeping records on the basis of which professional judgment is made.</td>
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<td><strong>Impact of epidemic on audit planning</strong></td>
<td>• Impact of changes of audit materiality level;</td>
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<td>ISA 320 - Audit Materiality</td>
<td>• The impact of previously unadjusted differences in materiality level that need to be considered now due to changes of circumstances.</td>
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<tr>
<td>ISA 240 - The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements</td>
<td>• Circumstances under which audit is complied;</td>
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<td>• Increased risk of fraud;</td>
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<td>• Professional scepticism in the process of considering the risk of fraud;</td>
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<td>• Use of newer technologies in the process of interviewing staff (e.g. Video meetings).</td>
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<td><strong>Impact of epidemic on risk assessment</strong></td>
<td>• Possible revision of already made risk assessments due to new significant risks in the current circumstances;</td>
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<tr>
<td>ISA 315 (Revised) – Identifying and Assessing Risks of Material Misstatement</td>
<td>• Impact of new or revised risks arising from the epidemic;</td>
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<td>• Impact of changes related to internal control systems and the control environment;</td>
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<td>• The impact of changes in legal and other regulations (e.g. Extension of the reporting period).</td>
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<td>ISA 330 – The Auditor’s Responses to Assessed Risks</td>
<td>• Changes in planned actions resulting as a result of environmental development;</td>
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<td>• Pay extra attention to: the process of closing financial statements; assessment of the overall presentation of financial statements, including appropriate disclosures; as well as the conclusion whether a sufficient amount of evidence was collected in the audit process.</td>
</tr>
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</table>
## Impact of epidemic on obtaining audit evidence

### ISA 500 – Audit Evidence
- Obtaining audit evidence due to the epidemic because e.g. auditors were not able to attend the inventory process;
- Change in audit approach due to the epidemic because, for example, auditor team did not have access to sufficient staff;
- Developing alternative audit procedures due to the epidemic because auditors, for example, were not able obtain the original documentation;
- Using newer information solutions when sharing data and holding virtual meetings;
- The use of professional scepticism in relation to the collection of audit evidence in the age of epidemic;
- Developing new audit procedures to test the reliability of electronic evidence.

### ISA 501 - Audit evidence - Specific Considerations for Selected Items
- Use of new technologies in the inventory process;
- Performance of alternative audit procedures.

### ISA 600 - Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)
- Travel restrictions;
- Transfer of data outside the jurisdiction;
- Change in the way of communication in epidemic (due to remote locations).

### ISA 230 - Audit Documentation
- The importance of documenting the auditor’s considerations;
- Professional judgment in relation to audit documentation.

## The impact of the epidemic on the audit of accounting estimates

### ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures
- Revised ISA (in force from 15/09/2019) which has a significant impact on assessments due to the epidemic;
- Changes in regulatory factors that may affect valuations for financial reporting;
- Identification and assessment of the risk of materially significant misstatements related to estimates;
- Effect of changing the inherent risk factors;
- Professional scepticism to consider judgments related to accounting estimates.

## The impact of the epidemic on subsequent events

### ISA 10 - Events After the Reporting Period
- Additional procedures in order to review and update estimates performed by the date of publication of financial statements taking into account current uncertainties;
- Disclosure of subsequent events.

### ISA 560 - Subsequent events
- Impact of postponement of financial reporting deadlines (based on certain jurisdictions) caused by the epidemic;
- Additional event monitoring procedures until the date of financial statements publication due to the uncertainty of the current situation;
- Undertaking procedures that would cover a longer period until the date of the audit report;
- Presentation and disclosure of material subsequent events related to the epidemic in notes to the financial statements;
- Greater focus on subsequent events and their impact (if any) on the financial statements.
Taking into account the specific issues for consideration by area, i.e. the relevant ISA, the guidelines should be helpful in the process of conducting an audit, especially when assessing risks and formulating an appropriate strategy and audit plan. Bearing in mind that the global epidemic has created new market conditions, while auditors are required to comply with full ISAs, the guidelines specifically emphasize that the auditor should pay attention to:

1. **Audit quality in the age of COVID-19.** Authors Albitar, Gerged, Khaldoon, & Hussainey (2021) in their work point out that the decline in audit fees, the assessment of going concern, the level of reliability and sufficiency of audit evidence, as well as the loss of manpower (due to layoffs) will affect the overall quality of the audit of financial statements from 2019 year-end and beyond.

2. **Change in circumstances amid the crisis caused by epidemic.** Albitar, Gerged, Khaldoon, & Hussainey (2021) in their work note that the consequences of the current pandemic will pose more difficulties to auditors and audit clients than those that arose as a result of the financial crisis in 2008.

3. **New techniques and technologies that will facilitate the audit process.** Research results of authors Sharma, Sharma, Joshi, & Sharma (2022) show that since the onset of COVID-19, auditors support the integration of new technologies into audit practices to ensure data accuracy and transparency. Authors Nezhyva & Miniailo (2020) suggest that the use of audit information technology does not replace the audit process itself, but represents a tool that reduces the time and resources spent in the audit implementation process. Authors Kljajić, Mizdraković, & Hadrović Zekić (2022) in their work state that auditors could use the new business environment as an opportunity for complete digital transformation, and the widespread use of remote auditing. Authors Albitar, Gerged, Khaldoon, & Hussainey (2021) recommend audit companies to invest in digital platforms (artificial intelligence, blockchain, network security, development of data functions, etc.) in order to be able to perform remote auditing from now on.
4. Change in audit procedures and approaches. Authors Kend & Nguyen (2022) found that 3% of audit procedures in 2020 dealt with audit risks related to the epidemic. Authors Nezhya & Miniaio (2020) claimed in their work that the technological integration of audit based on modern information systems increases the efficiency of defined audit procedures and approaches. The results of authors' research Sharma, Sharma, Joshi, & Sharma (2022) show that auditors have shown great interest in using remote auditing in the future.

5. Obtaining audit evidence (electronically). The author Kaka (2021) in his paper suggests that auditors should consider collecting audit evidence electronically due to the increasing presence of virtual technologies and online business methods. In the case of obtaining evidence electronically, the auditor should check the controls of the processes from which the electronic evidence was obtained.

6. Professional judgment and professional scepticism. The author Kaka (2021) suggests that auditors are expected to use professional judgment and professional scepticism, that is, to be focused on the public interest and ethical responsibility in these uncertain conditions. Farcane and others (2022) point out that COVID-19 has affected many aspects of the audit, especially those related to the determination of professional judgment; for example, determining materiality level requires its use.

7. Assessment of material significance. Authors Farcane and others (2022) point out that in the audit process it is necessary to modify the criteria related to the determination of materiality level due to significant changes in circumstances during the epidemic. In particular, authors point out that in the age of COVID-19, audit materiality level will need to be updated as the audit progresses more than before, due to changes in metrics relevant to users of financial statements (e.g. revenue).

3. IMPLICATIONS OF COVID-19 EPIDEMIC ON THE MARKET OF THE REPUBLIC OF SERBIA

When it comes to the economy of the Republic of Serbia during the state of emergency introduced due to the pandemic, the Decree was adopted on postponement of the deadlines for holding regular meetings of the assembly of companies and submitting annual and consolidated financial statements of business entities, cooperatives, other legal entities and entrepreneurs, as well as the deadlines for submission of applications for income tax and tax on income from self-employed activities, the validity of licenses of authorized auditors and licenses for assessing the value of the real estate that expire during the state of emergency caused by the epidemic ("Official Gazette RS", No. 57/2020).

This decree sets the deadline for the submission of annual reports, i.e. annual financial statements with the auditor’s report of all taxpayers whose reporting is regulated by the Law on Accounting ("Official Gazette of RS", No. 73/2019 and 44/2021 - other law), i.e. the Law on the Capital Market ("Official Gazette of the RS", No. 31/11, 112/15, 108/16 and 9/20), i.e. the Law on Investment Funds ("Official Gazette of the RS", No. 46/06, 51/09, 31/11 and 115/14) or the Law on Open Investment Funds with Public Offering ("Official Gazette of the RS", No. 73/19), is postponed to a period of 60 days from the day the state of emergency ends. Taking into account the aforementioned provisions, moving financial reporting deadlines will have an impact on both, the financial reporting process, and the audit process. Management of audit clients is specifically required to disclose materially significant subsequent events related to the epidemic in financial statements; while auditors to focus more on subsequent events and their impact on financial statements, implementing additional procedures that will cover a longer period until the date of the audit report, which was not previously the case.

4. CONCLUSION

The emergence of the global crisis caused by the COVID-19 epidemic affected both the process of preparation of financial statements, as well as the entire audit engagement. Namely, auditors had to promptly adapt to work in uncertain circumstances; adopt new audit procedures; and use new technological resources in order to obtain sufficient audit evidence in order to form an audit opinion. The aim of this paper is to highlight special issues for consideration by area, i.e. taking into account the relevant ISA. Emphasizing special issues should additionally help auditors in the process of defining audit procedures, that is, to respond to challenges arising from the uncertainty of the current environment. The results of the analysis of special issues for consideration show that the auditor in the age of pandemic should pay attention to: audit quality, circumstances under which audit is complied, new techniques and technologies, changes in audit procedures and approaches, obtaining audit evidence, professional judgment and professional scepticism, as well as assessment of audit materiality.
5. LITERATURE


Official Gazette of RS, No. 73/2019 and 44/2021 - other law. Accounting law.


Official Gazette of RS, No. 46/06, 51/09, 31/11 and 115/14. Law on investment funds.

Official Gazette of RS, No. 73/19. Law on open investment funds with public offering.

Official Gazette of RS, No. 57/2020. Decree on moving the deadlines for holding the regular session of the assembly of a business company and submitting annual and consolidated financial reports of companies, cooperatives, other legal entities and entrepreneurs, as well as the deadlines for submitting applications for profit tax and self-employment tax, the validity of licenses of authorized auditors and licenses for the real estate appraisals that expire during the state of emergency caused by the COVID-19 disease caused by the SARS-CoV-2 virus.