

## **The Goal**

Develop a work plan for the auditors of the Federal Board of Supreme Audit and guidelines for the auditors in the private sector to help them conduct audits during the COVID-19 pandemic and reduce challenges facing them including responsiveness to audit risks pursuant to the latest announcements and best practices of the relevant professional and regional organizations.

## Expected risks hindering implementation of the plan

First



1. Delayed access to the data and information required to complete audits.
2. Jammed audit processes, aside from of the already delayed audits, and increased scale of work because of the tasks assigned to FBSA by the legislative and executive authorities.
3. Failure to carry out field audits as the reduction of employees attendance to no more than 25% is still operative which hinders the completion of audits in a timely manner.
4. Auditees' lacking of IT applications and poor infrastructures and equipment necessary to operate the electronic systems and software used to ensure quick fulfillment of work through remote communication between the audit teams and the auditees, as well as poor technological infrastructure even on FBSA level make the required communication imposed by covid-19 work circumstances impossible.
5. FBSA employees possible infection with the coronavirus makes it impossible to conduct the work in a timely manner.
6. Risks of misusing the available funds because of covid-19.
7. Failure to comply with laws, regulations and instructions while extraordinary measures to combat covid-19 are being enforced.



## Second

### Proposals to mitigate the expected risks likely to impede implementation of the plan

1. Coordinate with the Secretariat General of the Council of Ministers to urge auditees to promptly prepare and send their financial statements to FBSA, and to instruct the accounting staff and audit teams working in such bodies to get back to work only for the allowed 25% of the staff to avoid delayed completion of these statements

**(FBSA issued the letter no. 2/5/5/6768 on 29/4/2020 which was directed to the Secretariat General of the Council of Ministers as a circular to inform the ministries on the content above.)**

**The issue requires a follow up on implementing the above-mentioned content by the Secretariat General of the Council of Ministers and our audit teams**

2. Take into account the time periods from the date of submitting notes to obtain information and data and to the date of receiving the answers from the auditees, namely those bodies which are most related to the government's plans on combating the coronavirus.
3. Intensify communication with officials in the Ministry of Finance and other authorities involved in confronting the pandemic to inspect and monitor allocations and grants receipt and disbursement that have taken place since declaring the health emergency and reprioritize FBSA work accordingly. This communication can be made available by various means to obtain the information needed.
4. Observe flexibility in reviewing the government measures taken under certain circumstances that needed urgent responses and actions by the government without compromising the principles of compliance audit when applying contract and service conclusion controls and instructions and in line with the principles of accountability, transparency and integrity. If any action of waste, mismanagement or red flag is detected, a detailed note documenting the case detected by the audit team is made and referred to FBSA top management to act accordingly.



**Proposed work plan**

**Third**

## **Topic 1: on FBSA auditors level**

**Three goals have been identified to ensure FBSA success in carrying out its functions during the next period in line with Coronavirus consequences. To ensure these goals are achieved, executive projects have been formulated and the implementing authority is defined:-**

**Goal 1: Continue high-quality auditing of the financial statements, consider flexible dealing with government entities and review priorities.**

### **Implementing entities**

- All audit departments in Baghdad and governorates
- Office of public services activity auditing and office of financing and distribution/ audit bodies working in the ministry of health and ministry of finance.
- Office of technical affairs and studies/planning and follow up Department, specialized performance evaluation department/computer Department – cross audit section

### **Projects**

- Amendment of auditing work plan in line with the audit-oriented capabilities under the 25% of staff attendance specified pursuant to the government directives.
- Completion of audits of the financial statements for the fiscal year ended on 31-12-2019.
- Checking and auditing financial spending operations and grant amounts received and disbursed to counter the pandemic, and taking into account the additional procedures required to ensure that the extraordinary public spending to curb the pandemic has been carried out according to the intended purpose.

- Conducting cross-auditing of those covered by the emergency grant who were affected by the pandemic to ensure the integrity of the information and disbursement of funds to those affected by the full curfew due to the pandemic and the like .

**Goal 2 : evaluation of government measures (at the level of the crisis cell formed in each governorate) to respond to COVID 19 and their impact on the achievement of SDGs (not only goal 3 that is related to health, but also to other SDGs that are affected by the pandemic**

**The entities responsible for implementation**

- Office of Technical Affairs and Studies / audit teams working in the specialized performance audit department.
- Audit offices in all governorates through auditing the procedures of the crisis cell in each governorate and their impact on SDGs , including the following :

**The proposed projects include but not limited to:**

- Evaluating the policies, programs and procedures of the Ministry of Health in curbing the pandemic, in line with SDG 3 - Ensure healthy patterns of live for all
- Evaluating remote education policy and procedures and their impact on supporting the educational process (primary ,secondary , higher education) in line with SDG 4 on education)
- Evaluating the performance of the government's policy in mitigating the impact of COVID-19 on the poorest segments in line with SDG 1 “ No poverty” .
- Evaluating public policies to reduce levels of domestic violence (given the high rates of cases of violence against women due to the full curfew and the low economic level of most families because of COVID 19 (in line with SDG 5 “ gender equality”.

### **Goal 3: strengthening and establishing a sophisticated system of infrastructure and technology for information systems in Audits and FBSA staff capacity building**

#### **The entities responsible for implementation**

- Office of Technical Affairs and Studies / Computer Department
- FBSA Training Center
- Audit teams

#### **Projects**

- Relying on modern technology in dealing with audits through communicating with the work team and auditees through video meetings, emails or phone to facilitate obtaining the data and information required to complete the work (remote monitoring) as warranted.
- Holding (remote) training workshops (if necessary) for the heads of audit teams to have them informed of the work tasks in the coming period. It is possible to form working groups to start implementing an emergency plan to audit the entities that were in direct contact with the pandemic reduction measures such as the Ministry of Health and supporting entities.
- Establishing a communication network (platform or community of practice) for auditors in FBSA (in Baghdad and the provinces) to share knowledge.

**Practical guidelines have been developed to ensure the implementation of the goals and projects .They are as follows:**

#### **A. Guidelines related to achieving the first goal (to continue auditing financial statements with high quality, taking into account flexibility in dealing with public entities )**

- **In terms of financial statements**
  - As for the financial statements for the fiscal year ended on 31/12/2019, which are supposed to be received from the auditees no later than 03/30/2020, given the fact that the spread of the pandemic in Iraq was in early March / 2020, then the pandemic can be considered as an un-adjustable subsequent event based on ISA 560 and the International Accounting Standard (10).

Thus, adjusting the financial statements is not necessary unless the auditor notices, due to the pandemic, a significant impact on the entity's activity. Accordingly, disclosure is required.

- As for the entities that have their own fiscal year such as some companies of Ministry of Agriculture (agricultural year), the auditor should determine the extent to which the pandemic affects the financial statements and whether there are significant material effects in addition to determining whether they are adequately disclosed
  - **Amendments** to the audit plan and the additional procedures required to ensure that extraordinary public spending on disaster response has been allocated for intended purpose.
  - Evaluating management procedures in using the going concern assumption when preparing financial statements or any submitted financial information that may affect its continuity and determining any risks of non continuation of operation whether the suspension is complete or partial, according to ISA 570.
  - Determining the adequacy of the disclosures provided by the management about the financial statements, and whether the management has disclosed the subsequent events that may require adjustment of the financial statements, or has updated those disclosures based on information obtained by the management after the balance sheet date.
  - Checking the accounting estimates in evaluating assets and liabilities under the pandemic.
  - Adopting alternative procedures to obtaining evidence when stock taking under the event of the pandemic. It may be difficult to make field visits to carry out the stock taking and inventory control. It is possible to adopt other measures in inventory control without the need to visit the site at this time. Such measures include postponing field stock taking to a later time if the probabilities of situation improvement are high, comparing stock taking statements for the ended year with those of purchase that occurred at the beginning of the following year to determine the current stock, or conducting a stock taking by means of video surveillance where the video is used by the camera holder and follows the instructions of the auditor while wandering in the site.

- **In terms of auditing financial spending operations and the extent to which the Ministry of Health and supporting agencies are committed to apply the laws and regulations in force when contracting to face the pandemic.**

**Items and indicators that are proposed to focus on:**

- \* Amounts of funds received, grants, contributions received, disbursements, and knowing the limits of exceptions, and the extent to which the guidelines and controls of compliance audit can be exceeded in addition to verifying of controls issued by the higher authorities responsible in accepting emergency conditions in contract amendments, and exceeding earmarked credits, and the prompt meeting of the needs and disclosing different purchase methods.
- \* The amounts of financial incentives granted to workers in the health sector and comparing them with their actual numbers and the date of disbursement.
- \* Goods and services that have been purchased in accordance with the law and verifying that required examinations are made of the received material and whether the received medical materials quality was poor or the received equipment was inappropriate.
- \* Verifying that the entry of medical supplies is according to control provisions and their distribution is monitored and assessed .The reason is that the distribution of supplies received from central warehouses to hospitals and health centers in Baghdad and the provinces may be slow and ultimately lead to harm to citizens in remote places and governorates.
- \* Verification of the effectiveness of coordination between the main active entities involved in facing the pandemic, especially those concerned with obtaining medical supplies. The mechanism of coordination between them may be unclear or include complications that hamper the arrival of those supplies in a timely manner, especially to the governorates.
- \* The extent to which health authorities are able to accurately assess the needs of medicines and medical devices.
- \* Verifying that there is no delay in funding operations by the Ministry of Finance to the Ministry of Health or the authorities responsible for implementation and whether this has affected the procurement and distribution of medical equipment to hospitals in Baghdad and the provinces.
- \* Verifying that there is no suspected corruption in medicines and basic equipment such as the disappearance of medicines or a

significant shortage of the quantities supplied and the good quality of the origin of supplies .

**B. Guidance related to achieving the second goal (evaluation of government actions to confront the Coronavirus pandemic and its impact on achieving the SDGs - the projects mentioned in auditing development goals)**

- Carry out evaluation works by adopting the updated performance evaluation manual for programs and policies.
- Focus on a number of things, including:
  - Review the government’s reform policy and plans to address the situation (the subject of the evaluation) and provide advice to strengthen it.
  - Identify weaknesses in the actions taken and proposed solutions to address this weakness in the future or prevent its occurrence.
  - Review cases of clear non-compliance with laws and regulations, and exceed powers without legal justification or approvals from higher authorities.
  - Identify the facts related to the failures in the early response to the pandemic and its impact on the subject of the evaluation.
  - Establish recommendations for disciplinary measures or referring to investigation in cases of major mismanagement or serious errors.
  - Dealing flexibly with minor mistakes or minor cases of non-compliance and directing departments to confront them.

## **Topic 2: On the level of auditors who are members of the auditing profession board (guidance for auditors)**

### **Taking into consideration the matters mentioned in the local audit guide No. (1) The responsibility of the auditor for subsequent events, we include below some guidelines in this regard**

- The auditor should fully comply with international and local standards when conducting client's audits, even if that requires additional time to complete audits.
- Conducting adjustments to the audit plan and the additional measures required to ensure exceptional measures to address the pandemic.
- Responding to the risks of material misstatement by focusing on International Accounting Standards (240) and (315) related to identifying and assessing the risks of material misstatement through an understanding of the facility working environment.
- Continuity assessment: As the outbreak of the pandemic caused significant impacts on economic facilities and some of them led to a complete or partial stop, according to the standard (570)
- The auditor should discuss with the management the impact of the pandemic on its business, operations and the timetable of implementation, and report his business results.
- The auditor should verify whether the management has disclosed the nature of the event (in the notes to the financial statements or the annual report).
- The auditor should consider the impact of the pandemic on how to collect sufficient and appropriate audit evidence, as well as recognize that the planned audit approach may need to be changed and alternative procedures should be established.
- The auditor should evaluate the effectiveness and efficiency of the internal control system from the time the pandemic started or after it.
- The auditor should reassess the key aspects of auditing as a result of the rapidly changing situation, which may require the management to provide more evidence.

- When the present circumstances have a significant impact on the completion of the auditing, the auditor should explain this in the report by reporting it as a major audit issue.
- In light of pandemic risks, evaluating the financial assets according to the variables in financial markets, as it may lead to a change in value of financial assets listed at fair value of balance sheet. So the management and auditors must make decisions regarding important estimates and cash flow projections used in measuring the fair value of unlisted financial instruments.
- Evaluating inventory as a result of pandemic that may have led to suspension the most of supply operations. The production levels may be affected and the inventory that cannot be delivered due to travel restrictions may be evaluated to determine the decrease in the value. In addition, price changes must be taken into account and the level of demand reduced.
- The auditor should disclose credit and liquidity risks, especially as the entity may find itself in a difficult financial position, which leads to additional credit risks and bad debts higher than usual, and even the possibility of a decrease in value and write-offs which may affect the cash flows from operations.
- The auditor should ensure that the management prepares data and reports according to Standard (560) that includes the disclosures of subsequent events and the impact of the material decrease in assets value or businesses as a result of the pandemic.
- A number of critical accounting estimates and assumptions may be affected by the pandemic, and may rise to the level of critical audit issues that may need to be reported in the auditor's report. With this in mind, it is best for the auditor to contact the audit committee to find out about this topic before including a note in this regard.
- In the event that the auditor is unable to conduct personal interviews with management officials (clients), interviews can be conducted via video, documenting it and discussing any inquiries.
- In the event that access to customer books and records is an obstacle for some auditors, especially in cases where the facility still maintains paper records, in this case copies or scanning of main records can be obtained. In the event that the auditor is not convinced of records validity, additional auditing procedures can be taken to ensure that data are complete and accurate through communication with the bank or suppliers whom the customer

deals with(subject to the audit). The auditor may be forced to inform customers of the inability to complete audits in order to be able to access and view the original books and records directly, and this may lead to the risk of delay in completing data.

- disclosing risks and uncertainties that could significantly affect the amounts included in the financial statements in the near term and events that significantly affect customers' business and operations whether in or out the financial statements.
- the auditor should take into account the difficulties that the management may face in preparing future forecasts, while recognizing the unstable situation and the possibility of such expectations changing significantly in a short period of time, or preparing more than one expectation in the future, it is necessary for the auditor to use the professional judgment and doubt, and be careful to ensure that expectations accurately reflect the current situation.