

**Experience of The Accountability State Authority "ASA" - Arab
Republic of Egypt in responding to the COVID-19 pandemic and the
lessons learned**

The emergence of Covid-19 pandemic at the beginning of 2020 had a severe, negative impact on SAIs' capacities including the SAI Egypt. These impacts represented challenges encountered SAI Egypt(ASA) in undertaking its work timely and efficiently , which subsequently required developing some work techniques, methods and approaches to face these challenges in order to ensure the ASA's continuity in carrying out its entitled duties. With the decline of the pandemic dramatically, in light of the appearance of vaccines and medicines existed, the ASA to commensurate with that pandemic decline has taken procedures to carry out its work.

We will hereafter present some of these challenges and work methods developed by the ASA to face them as well as its lessons learned from the pandemic as follows:

First, Challenges on the Human Resources Level :

The most important challenges on the human resources are The necessity to abide with the precautionary measures such as social distancing and reducing the workforce reduction, the increase of professional hazards as a result of the increasing exposure to the pandemic during work discharge, as well as the occurrence of some infections have occurred among ASA auditors/members.

In response to these challenges, the ASA has issued several resolutions to protect the human resources, including resolutions to reduce the workforce through granting each head of accounts department or central department the rights to apply employees' rotation according to work requirements ,assigning a specialized company to periodically sterilize the ASA's headquarters, offices as well as placing sanitizers in its floors ,obliging members to wear face masks, besides providing reduced prices for masks and disinfectants within the ASA headquarters, and establishing systems to monitor the compliance of personnel with the precautionary procedures. providing laboratories and radiology centers along with PCR tests to detect the infection using flexible procedures that enable ASA auditors and their families to confirm whether they are infected or not.as well as providing vaccines for seasonal flu in the ASA's headquarters. The ASA contracted with a number of hospitals to provide health care for the infected and provided various medicines for treatment as well as discussed the possibility to contract for providing COVID-19 vaccines once they are available. granting infected personnel or those in contact with infected patients a paid leave until complete recovery. honoring the ASA deceased members and paying full compensation and pensions to their relatives.

Second, Challenges on the Organizational level:

The most important challenges on the organizational level lie in the existence of travel and transportation obstacles, closure of some audited entities' premises, difficulties in developing training programs relevant to new training needs that emerged due to the pandemic's circumstances.

The ASA's methodology to face these challenges as follow:

- 1- Rationalizing business trips to the minimum and well organizing them considerably so as to suit the pandemic's conditions and thus acquire the maximum benefits from these work assignments, taking all precautionary measures with regards to its members' means of transportation, including the periodic sterilization of vehicles, and the emphasis on their commitment to wearing face masks and maintaining distancing measures during transportation and business trips. In addition the ASA auditors have contacted the audited

entities' management in order to know how they would manage during the lockdown and until units' re-opening, besides agreeing on the means of communication with these entities to provide the ASA with the documents and data required for auditing. Further, there has been coordination with the audited entities towards developing their resources to meet the new requirements by using electronic devices of data transmission including faxes, scanners and others, to be able to send documents and hold meetings virtually using specialized applications. Also, it has been taken into consideration that some confidential interactions require that auditors should go to these units to review the data and their related documents in an organized and strictly limited manner, The ASA signed a cooperation protocol with the Ministry of Communications and Information Technology in 2021 to complete its institutional work as regards applications and infrastructure that enable it to effectively implement its audit work, as the Ministry of Finance has issued successive publications to make all documents available electronically to ASA members during auditing the final accounts.

- 2- The ASA Central Department of Training and Continuing Education has done the following:
 - a. Providing pandemic preventive precautions in training rooms by reducing the number of trainees in each training program to the minimum together with re-holding the same course while maintaining the social distancing measures in these rooms. Also, obliging the trainees to comply with the precautionary procedures such as wearing face masks and using disinfectants.
 - b. Mandating trainers to prepare and hold virtual training programs using e-communication means.
 - c. Cooperating with other professional organizations, either local, regional or international, to benefit from their virtual training programs as well as participating in their virtual webinars and workshops.
 - d. Increasing the effectiveness of the ASA's electronic platform by providing scientific materials and responding to ASA auditors' inquiries, as well as electronically providing research papers and professional guidance issued to the ASA members either by the ASA or by local, regional and international professional organizations.

Third, Challenges on the Audit Level:

The challenges of COVID-19 at the Audit Level are those related to auditing the auditees transactions and activities either on the audit process planning stage, or the evidence collecting stage as well as that of the audit process implementation, along with challenges related to reporting and issuing the audit reports, and being Guided by the principles of the 5500 Series of International Standards for Disaster Aids Control:

- Standard 5510 on disaster risk reduction control.
- Standard 5520 on the control of disaster assistance.
- Standard 5530 on adapting audit procedures to take into account the increased risks of emergency fraud.

In addition to those audit challenges, the ASA has faced other challenges including the appearance of new activities to cope with the pandemic and the large amounts, the need for flexibility in the disbursement of those amounts ,and the need for accountability and full transparency in in the disbursement of those amounts.

The ASA's methodology to face these challenges:

Auditing is an assurance task (1) that aims to enhance the confidence of the financial statements' users in the results of the assessment or measurement of the subject of the report by referring to the framework through which the financial statements (2).

The task of auditing the economic entities' financial statements begins with the implementation process planning stage through developing the general audit strategy (3), including understanding of the entity's environment and identifying its essential risks (4) . This primarily requires studying the appropriateness of the administration's implementation of the assumption of continuity(5)as a basis for the preparation of the entity's financial statements. Continuity risks may arise in the profitable entities subject to ASA's auditing, or when it is probable that the government's subsidies are to be reduced or withdrawn, or in the case of privatization (6) .

The significant economic impacts of COVID-19 pandemic on many entities have led to an increasing doubt concerning the entity's ability to operate and also on the audited entity's audit risk assessments, either as a result of the nature of the normal course of business undertaken by the entity, or as a result of entity's inability to comply with the internal control requirements due to the pandemic or even the need for special internal control procedures for these entities. Accordingly, ASA auditors, in order to face these challenges in the planning stage, performed the following:

- Re-evaluating the audited entity's extent of having the assumption of continuity during the COVID- 19 pandemic.

⁽¹⁾ – The Egyptian Auditing Standards, limited inspection and other assurance tasks issued by the ASA President's resolution no.1300 for 2008, The Egyptian Framework of Assurance service Processes, p. 3.

⁽²⁾– **See for example:**

- The Egyptian Auditing Standards, limited inspection and other assurance tasks issued by the ASA President's resolution no.1300 for 2008, EAS no. 200-The Purpose of Auditing Financial Statements and its General Principles, p. 1 .
- The International Standards on Auditing, translated by the Saudi Association of Certified Accountants, Standard no. (200), The General Objectives of the Independent Auditor, p. 58.

⁽³⁾ – **See for example:**

- The Egyptian Auditing Standards, limited inspection and other assurance tasks, EAS (300), Planning the Process of Auditing the Financial Statements, p. 2.
- The International Auditing Standards, translated by the Saudi Association of Certified Accountants, Standard no. (300), Planning to Audit the Financial Statements, p. 210.

⁽⁴⁾– **See for example:**

- The Egyptian Auditing Standards, limited inspection and other assurance tasks, EAS (315), Understanding the entity and its environment an assessing the important risks of misrepresentation, p. 2.
- The International Auditing Standards, translated by the Saudi Association of Certified Accountants, Standard no (300), Determining the essential misrepresentation risks and their assessment according to understanding the entity and its environment p. 219.

⁽⁵⁾–The Egyptian Auditing Standards, limited inspection and other assurance tasks issued by the ASA President's resolution no.1300 for 2008, The Egyptian Auditing Standards, Continuity, p.1

⁽⁶⁾ –The International Standards on Auditing, translated the Saudi Association of Certified Accountants, Standard no (570), Continuity, p. 574.

- Carrying out analytical procedures to assess the potential implications in the estimated financial statements of the audited entities to determine their impact on estimating the materiality of the financial statements' items⁽¹⁾ .
- Re-evaluating the inherent risks as well as the audit risks, either on the level of the financial statements as a whole or according to their items, and their impact on estimating the materiality.

The most important challenge facing the evidence-gathering process during the COVID-19 pandemic is the need to apply the social distancing measures inside the audited entities which was an obstacle for obtaining audit evidence and thus required alternative procedures to obtain such evidence together with ensuring its sufficiency (2) and appropriateness. Also, difficulties regarding supervising the inventory processes (observation), low rates of response to positive confirmations and difficulties in attending meetings either with audited entities or with governance officials as well as the difficulty of supervising audit teams or holding meetings with them. In order to face the challenges of the audit planning stage proof evidence collecting and audit implementation , the ASA members adopted the following procedures:

- Obtaining electronic copies of documents from the audited entities and increasing the documents' samples to increase the sufficiency of evidence.
- Choosing a sample of documents obtained using electronic means and comparing them to the original documents either through paying short visits to the audited entities or asking them to send the original documents and examining their match with the electronic copies previously obtained in order to ensure the authenticity of the documents obtained electronically.
- Obtaining management acknowledgments (letter of representation) and data requested electronically from the audited entity.

Reviewing the resolutions made by the audited entities with regards to regulating the physical verification of inventory and observing the physical count of selected items of inventory to ensure compliance with inventory resolutions, obtain inventory results, perform alternative audit procedures to check on the inventory at subsequent dates, and retroactively confirm inventory results.

⁽¹⁾—**See for example:**

- The Egyptian Auditing Standards, limited inspection and other assurance tasks, EAS (320), p. 3. The materiality in planning and performing an audit
- The International Standards on Auditing, Translated by the Saudi Association of Certified Accountants, Standard (320), p. 265. The materiality in planning and performing an audit

⁽²⁾—**See for example:**

- The Egyptian Auditing Standards, limited inspection and other assurance tasks, ESA (500), p. 2.
- International Standards on Auditing, translated by the Saudi Association of Certified Accountants, Standard (500), p. 315.

Holding meetings with the entity's management, with governance officials, and with audit teams using e-communications and virtual meetings.

The most important challenge facing audit reports is the need to disclose the circumstances and constraints imposed by the pandemic on the audit process, in addition to demonstrating the adequacy of the audited entity's disclosure of the pandemic's impacts, the extent to which their assets impaired, and the expected future impacts on revenues and assets. within this context the ASA have issued instructions that safeguarding that the previous data are included in the annual report.

Fourth: Challenges on the Audited Entities' Level:

The Challenges on the audited entities' level are the delay of some audited entities in the preparation of the financial statements and the difficulty of some thereof departments to abide with some of the audit, accounting, and organizational requirements & procedures.

The ASA has issued instructions to its members on the necessity of ascertaining that there were real reasons for the delay in the preparation of the financial statements as well as showing flexibility in cases where the delay was inevitable in addition to maintaining legally binding dates as much as possible.

Summary and Conclusion:

The policies carried out by ASA have had a great impact on the success of carrying out auditing within the crisis challenges through:

1. Performing and reporting of audit results at the due time according to laws.
- 2 – Obtaining reasonable assurance and providing adequate audit reports.
- 3- Auditing of the government's action of the disaster reduction.
- 4- Achieving flexibility in the audit planning processes, whether when the pandemic occurs or when it recedes.
- 5 – Benefiting from the infrastructure whose capabilities have been improved, whether at the SAI level or at the audited entities level, to raise the efficiency of audits and reducing their costs by implementing some audit operations remotely.