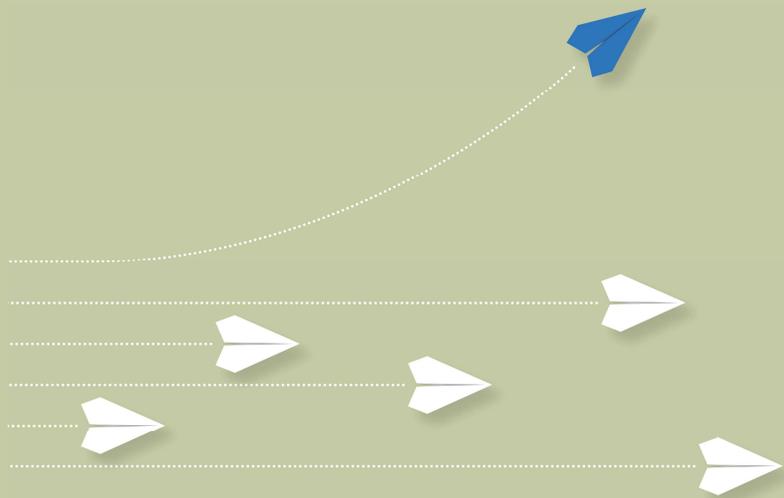


ICAEW KNOW-HOW
AUDIT AND ASSURANCE FACULTY



Brexit and audit

4 FEBRUARY 2021

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PAUL WINROW

Today's presenters



Donna Wilcox
Technical Senior Manager
RSM

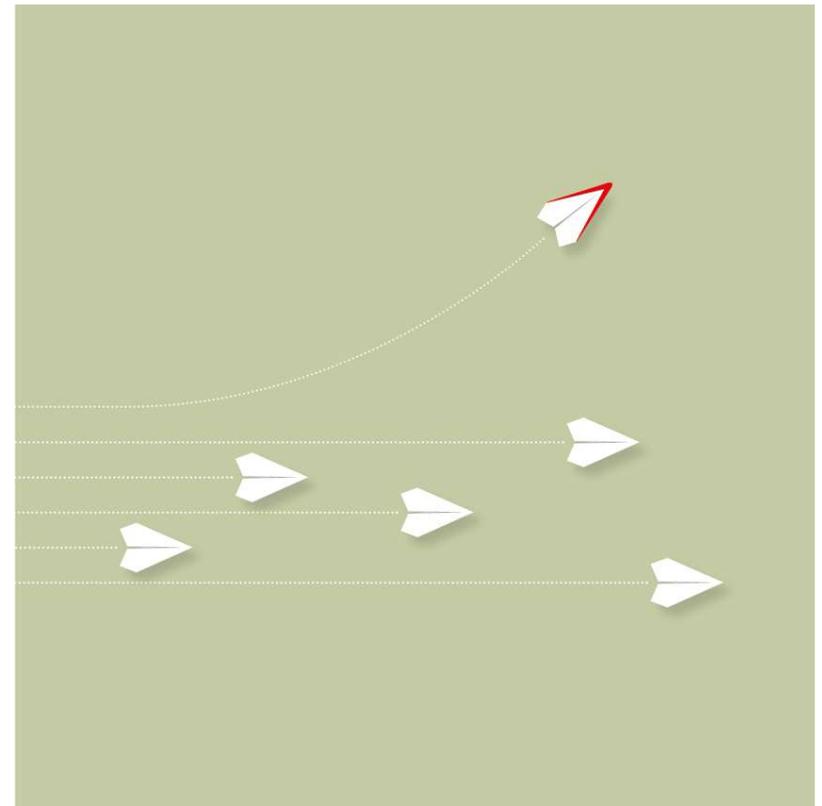


Paul Winrow
Technical Partner & Ethics Partner
MHA MacIntyre Hudson

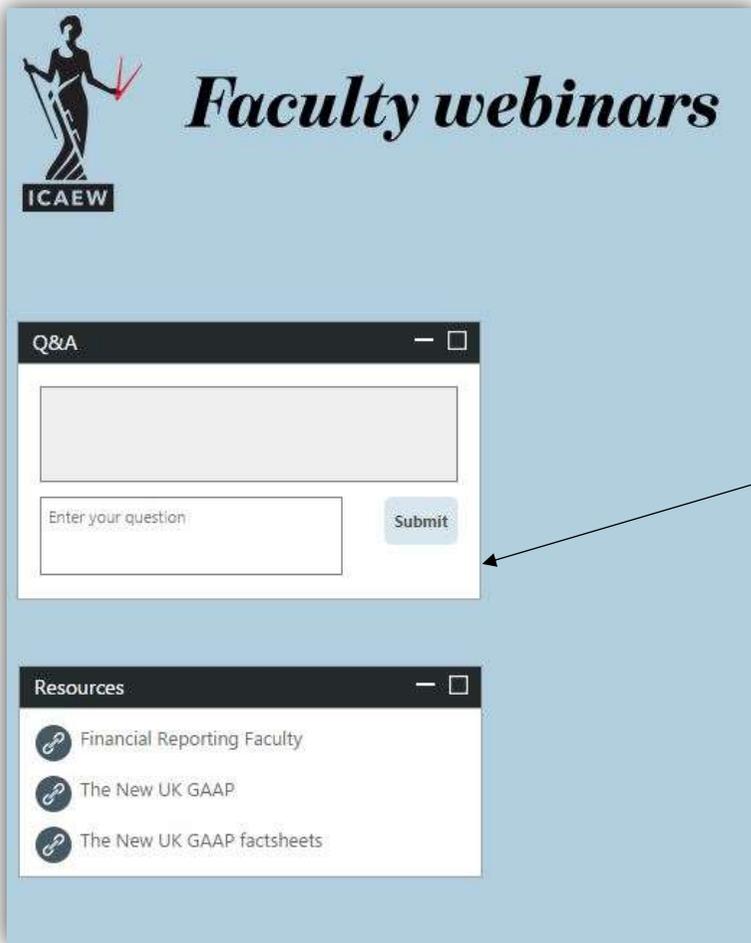
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- Monthly newsletter and publications
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- Influence – have your say
- Thought Leadership
- Career Development

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Ask a question



The screenshot shows the ICAEW Faculty webinars interface. At the top left is the ICAEW logo featuring a figure with a staff and a red ribbon. To the right of the logo is the text "Faculty webinars". Below this is a "Q&A" section with a large text input box and a "Submit" button. Below the "Q&A" section is a "Resources" section with three links: "Financial Reporting Faculty", "The New UK GAAP", and "The New UK GAAP factsheets".



Audio problems?

- Ensure your volume is turned on
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Ask a question

Type your question into the question box then click submit.

[Download resources here](#)

Contents

Impact on risk assessment

Economic Risk Factors

Industry and sector risk factors

Entity specific considerations

Financial reporting risks

Practical audit considerations

Questions

Impact on Risk Assessment

Identifying risks relating to Brexit

- What new risks are relevant following Brexit?
 - The entity and its environment
 - Industry, regulatory and other factors
 - The entity's operations
 - Business risks (objectives and strategies)
 - Internal control

Assessing the Risks of Material Misstatement

- What is the risk of material misstatement arising from the identified risk factors?
- Is there an impact on financial statement level risk, e.g. Going Concern?
- Are there any significant risks? (e.g. related to recent economic or other developments)

Combination of Brexit and COVID-19

- Does the combined impact of Brexit and COVID-19 factors increase the risk of material misstatement?

Economic risk factors

General economic well-being

- Is the industry/sector reliant on the general strength of the economy (e.g. retail, hospitality)? What about inflation?
- Is there a dual impact of COVID-19 and Brexit?

Impact of market performance

- Does the entity rely on investments subject to market volatility?
- What about foreign exchange fluctuations?

Increased risk of fraud?

- Do the pressures of Brexit (and COVID-19) increase the risk of fraud?

Industry and sector specific risk factors

- Import / export turnaround times
- Reliance on EU supply chains vs. domestic/international
- EU agreements, licenses and quotas
- Reliance on EU labour
- Reliance on EU funding
- Additional import / export costs
- Cashflow management

Entity Risk Factors - POLL

What are your client's business relationships with the EU? You may select more than one.

- 1) Importer of goods from the EU
- 2) Exporter of goods to the EU
- 3) Provider of services in the EU
- 4) Affected by EU quotas
- 5) Affected by EU licences etc.
- 6) Other EU relationship [text box]

Entity Risk Factors

The entity and its environment

- What are the changes to the entity, its suppliers, customers?
- Can the entity fulfil orders if goods are held at ports?
- Does the entity rely on EU staff for critical roles or staff regularly working in the EU (& vice versa)?
- Will the entity face increased costs (administration, tariffs, duties, transport) on exported and imported goods?
- How exposed to macro-economic factors is the entity (e.g. currency fluctuations, interest rates, inflation)?

Entity Risk Factors

Laws and regulations

- What legal and compliance issues impact the entity's operations?
- Can the business continue to operate in the EU?
- Are products and services subject to EU regulatory and compliance law?
- Are there any new risks of non-compliance with laws and regulations?
- There will be need to ensure compliance with dual legislation (UK and EU)

Entity Risk Factors

Internal control

- How has the control environment been impacted by Brexit ?
- What changes have been made to internal control, specifically over import / export transactions?
- What controls are in place to ensure tariffs and duties are properly recorded
- What impact is there on control over subsidiary operations?
- Has the risk of fraud increased? Think about the fraud triangle.

Topics

Financial reporting risks

- UK Law
- EU Law
- Business and its environment

Practical audit considerations

- Group audits
- Auditing EEA entities

Financial reporting risks - POLL

How far advanced are the majority of your clients with their consideration of the trade and cooperation agreement? [please select one]

- 1) Very prepared**, they have identified the requirements that apply to their business and have implemented a clear action plan and controls
- 2) Reasonably well prepared**, they have a general awareness of the requirements that apply to them but have not tied down the specifics or put clear action plans and controls in place
- 3) Still preparing**, they are still trying to understand what requirements apply to them

Financial reporting risks

Legal requirements

The business and its environment

Legal requirements

UK Law

- UK-adopted IAS “*prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006*”
- Consolidation exemptions (equivalent GAAP)
- Distributions

EU Law

- EU subsidiaries
- EU branches
- EU listing requirements

Financial reporting risks - POLL

How have your clients' businesses been affected by Brexit?
You may select more than one.

- 1) Supplies have been delayed and/or are more costly
- 2) Demand for products/services has fallen
- 3) It's more difficult or costly to get staff
- 4) Exchange rate or interest rate fluctuations
- 5) Additional or extended funding requirements
- 6) Brexit has provided opportunities and the business has expanded

The business and its environment

Increased uncertainty affects

- The economy
- Market activity
- Forecasts

Economy and market activity

- Discount rates > e.g. lease liabilities, impairment reviews, provisions
- Fair values > e.g. investments, investment properties, derivatives, pension assets
- Complex transactions > e.g. hedging
- Contract modifications > e.g. loans, leases, SBP, bonuses
- Business or financial restructuring
- Legal or contractual breaches
- Taxation

Forecasts

- Non-current asset impairments > e.g. PPE, intangible assets, right of use assets, investments
- Other asset impairments > e.g. inventory, financial assets, receivables
- Going concern > e.g. covenants, trading, mitigating actions, material uncertainties
- Other activities > e.g. sales returns, contract accounting, onerous contracts
- Other events > e.g. contingent consideration in a business combination, deferred tax assets

Financial reporting risks

Inventory example

- Obsolescence
- Returns
- Reduced demand
- Increased costs

Financial reporting risks

Disclosures

- Subsequent events
- Narrative reporting
- Exceptional items
- Key estimates and judgements
- Note disclosures
(*such as impairments, going concern, contingencies, discontinued operations/held for sale*)
- Accounting policies

Practical audit considerations - POLL

What types of entities do you audit in the EEA? You may select more than one.

- 1) Groups with EEA components?
- 2) Companies with EEA branches?
- 3) Companies with securities listed on an EEA market?
- 4) Subsidiaries with an EEA parent?
- 5) EEA incorporated entities?

Practical audit considerations

EEA entities and members of a group

- Group Audits (EEA components, data transfers, site visits)
- Auditing EEA entities
- Subsidiary audit exemption (EEA parent)

Thank you for attending



Please take the time to fill out our short survey:
[Survey link](#)



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