

Empirical Analysis of Audit Opinions of Listed Companies in the Manufacturing Industry During Economic Crisis

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Abstract

This study aimed to examine the companies' Audit opinion responses to the COVID-19 pandemic by reviewing information disclosures in the company's annual reports. Manufacturing companies have been selected for the sample, including the Consumer discretionary and consumer staple sectors. The sample of this study includes the annual reports of 100 listed manufacturing companies in Sri Lanka that published Audit opinions for six years during 2017-2022. The pre-and post-COVID situation was identified by taking 2020 as a benchmark, since the first patient reported in March 2020 in Sri Lanka. Qualitative content analysis was used to analyze the information contained in the reports to recognize the significant effects and key audit matters after using a checklist. Audit opinion type, Auditor type, and Significant key Audit matters have been analyzed through this investigation. As per the analysis of audit opinions, it does not change with the COVID situation, (the majority of the audit opinions are unqualified), but auditors are more likely to issue Going Concern Audit Opinions in response to COVID. However, most of the companies have faced going concern issues during the COVID situation. The main findings are that companies intend to have a going concern issue in their company in COVID 19 period, companies' ability to continue as going concern basis, and management's assessment of the probable impact of the COVID-19 pandemic on the operations of the company were significant and unique key audit matters in response to the COVID pandemic. Even if the company has a going concern issue, companies have decided to continue their operations with the financial support of their parent company. Other reasons are also mentioned in this study, in addition to the fact that hotel and plantation companies are facing going concern issues during this COVID-19 period.

Keywords: Key Audit Matters, Going Concern Assessment, Qualitative, Qualified Opinion and Unqualified Opinion