



Necessary actions in view of the developments taking place in response to the war in Ukraine

The Malta Institute of Accountants is issuing this note to remind its members of their obligations to:

1. Ensure compliance with the applicable accounting and auditing standards;
2. Monitor sanctions and other restrictive measures being constantly imposed by the European Union and other countries on individuals, organisations and countries; and
3. Determine whether these sanctions were issued against any of their clients and/or are in any way related to their client base.

In addition, while noting that the evaluation of the impact of these sanctions on the business and financial statements is the responsibility of the respective entity and that auditors should not take responsibility for that evaluation, practitioners should follow-up with clients to ensure that they are:

1. monitoring these sanctions and responding appropriately to them; and
2. analysing how these sanctions and other consequences of the current war affect their activities.

In doing so, members are reminded to ensure that they follow guidance being provided by the [Sanctions Monitoring Board](#) and other regulatory bodies, including the [Malta Financial Services Authority](#) and the [Financial Intelligence Analysis Unit](#), and continue monitoring the developments related to this war closely, through the news and other information being provided by the relevant authorities.

Members are also to refer to the [publication](#) by Accountancy Europe, [War in Ukraine – what European accountants need to know](#), through which attention is being drawn to points of alert on anti-money laundering, cybersecurity, accounting, audit and reporting to help them do the right thing in these difficult times.

In addition, these matters are also relevant for the Financial Statements process including the audit thereof. Specifically, accountants and auditors need to take into consideration the uncertainty brought about by the war, and consider the impact that:

- this war;
- the sanctions being imposed; and/or
- any potential counter-sanctions

might have on clients. These include:

- new legal and regulatory compliance matters to be considered by clients;
- restrictions or limitations to global financial system access, financial transactions, trade or access to any type of infrastructure (technology, communications and physical);



- business interruptions on clients and their related parties, customers, counterparties, agents, distributors, suppliers and/or financial institutions in other countries; and
- increased occurrences of cyber-attacks and related risks, including data corruption or security breaches.

In order to determine the necessary and appropriate audit responses, auditors are to identify and assess the consequences of this war. In doing so, they are to take into consideration the specific facts and circumstances of the entity, its exposures as well as its year end. Audit responses include:

- financial reporting disclosure implications, including for example the need to disclose subsequent events (depending on the year-end keeping in view that this is a February 2022 event) and risk assessment considerations;
- accounting implications other than disclosures, including for example on accounting estimates, asset impairment, receivables provision, contingencies and going concern;
- the need to revisit the assessment of cybersecurity risk and controls, including assessment of actual incidents; and
- increased legal and regulatory compliance risks.

It is also recommended that auditors consider asking for a letter of representation from management on their assessment of the impact of the conflict on the audited entity.

Overall recommendation

It is strongly recommended that, in view of the ongoing developments and changes, members carry out a risk assessment exercise and take the appropriate action, including with respect to continuation or acceptance of an engagement, while seeking any necessary legal advice.

In case of the need for any clarification and/or further guidance, members are to liaise with the Malta Institute of Accountants and/or the relevant authority as applicable.