

AGENDA PAPER

Item Number: 5
Date of Meeting: 16 November 2020
Subject: Update on COVID-19 resources

Action required For discussion For noting For information

Purpose

To update the Board on the:

- publication of APESB Technical Staff Publication, *Applying APESB pronouncements in COVID-19 circumstances* (October 2020); and
- Development of publications by the IESBA NSS COVID-19 Working Group.

Background

The International Ethics Standards Board for Accountants (IESBA) created an IESBA – National Standard Setters (NSS) Working Group to deal with COVID related matters. The CEO represents APESB on the Working Group along with NSS from Canada, USA, UK, South Africa and China.

The IESBA Deputy Chair Richard Fleck chairs the Working Group, and the first meeting was held on 10 June 2020, with subsequent meetings generally held bi-weekly. The Working Group's mandate is to develop implementation support resources to assist accountants in effectively apply the Code when facing COVID-19 related circumstances.

The IESBA and APESB jointly issued [Applying the Code's Conceptual Framework in COVID-19 Circumstances: Scenarios in Taxation and Valuation Services](#) on 17 July 2020, including four hypothetical scenarios for members in public practice and members in business.

Subsequently, APESB Technical Staff developed an Australia-specific iteration of this publication and presented a draft to the Board at the [August 2020 Board Meeting](#). This included an additional three scenarios for insolvency and forensic accounting services.

The APESB Q&A publication aims to assist members in public practice and members in business in effectively applying APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and other APESB pronouncements when facing circumstances created by the COVID-19 pandemic.

Matters for Consideration

APESB's COVID-19 Publication

Since the August 2020 Board meeting, Technical Staff have incorporated the Board's review comments and developed an additional example (Scenario 6) on insolvency services for members in public practice. The scenario involves an insolvency practitioner being approached to act as a voluntary administrator of an entity that has become insolvent as a result of COVID-19 restrictions, and the insolvent entity has a loan from a finance company that is related to the insolvency practitioner. The scenario applies the Code and APES 330 *Insolvency Services*.

Final review feedback on the full publication was also sought from stakeholders, including ASIC, ARITA, the professional accounting bodies and firms. After that, the final publication was circulated to the Board for approval out of session.

The Q&A publication [Applying APESB pronouncements in COVID-19 circumstances](#) was issued on 16 October 2020, and a copy is attached at Agenda Item 5(a).

IESBA NSS COVID-19 Working Group

The IESBA NSS Working Group has been working on three publications with different NSS as the lead author:

- Use of Specialists in the COVID-19 environment with the AICPA as the lead author;
- Fraud and other illicit activities in the COVID-19 environment with South Africa as the lead author; and
- Evolving risks for Money laundering, terrorist financing and cybercrime with CPA Canada as the lead author.

Use of specialists

In October 2020, the IESBA, IAASB and AICPA jointly released a publication, *Using Specialists in the COVID-19 Environment: Including Considerations for Involving Specialists in Audits of Financial Statements*, on the 6th of October 2020 (refer to Agenda Item 5(b)). This publication provides guidance to assist professional accountants in determining when there might be a need to use a specialist's services to perform specific tasks and other professional activities within their employing organisations and serve their clients in the COVID-19 environment. The publication also highlights relevant ethical considerations for accountants when thinking about using a specialist, as well as circumstances that indicate a need for a specialist during an audit of financial statements.

Fraud and other illicit activities

The global disruption caused by widespread economic and financial distress is being experienced worldwide due to the COVID-19 pandemic. As a result, many organisations and their stakeholders are experiencing financial, operational and personal difficulties. Due to the financial and economic pressures and significant uncertainty associated with the pandemic, entities explore avenues to remain as going concerns, keep operational stability, and sustain their businesses to survive the pandemic. Those avenues may create opportunities for illegal and fraudulent activities.

This publication will provide professional accountants guidance on applying the Code and Auditing Standards (if applicable) when encountering fraud and illicit activities. This document is in the final stages of development and is expected to be issued shortly.

Evolving risks for Money laundering, terrorist financing and cybercrime

The COVID-19 pandemic has changed the routines and behaviours of individuals, businesses, non-profits, and governments the world over. The same can also be said for those with illicit objectives as they navigate the global changes to create new opportunities for money laundering, terrorist financing (MLTF) and cybercrime.

Professional Accountants should be aware that the changing risks for society beyond the obvious health and economic challenges of COVID-19 include increased MLTF and cybercrime activities. Being alert to global, jurisdictional and sector risks of MLTF and cybercrime during the pandemic is important when carrying out professional activities.

It is expected that this document will be issued jointly with the fraud and illicit activities publication noted above in the near future.

For more information on COVID-19 related resources, refer to the IESBA [website](#).

Way Forward

Technical Staff will continue to update the Board on the progress of the IESBA NSS COVID-19 Working Group at future Board meetings.

Recommendations

The Board note the:

- publication of the APESB Technical Staff document, *Applying APESB pronouncements in COVID-19 circumstances*; and
- update on the IESBA NSS COVID-19 Working Group.

Materials presented

Agenda Item 5(a) APESB Technical Staff Publication, *Applying APESB pronouncements in COVID-19 circumstances* (October 2020)

Agenda Item 5(b) Using Specialists in the COVID-19 Environment: Including Considerations for Involving Specialists in Audits of Financial Statements (October 2020)

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