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COVID-19 & Ethics | Staff Publication

USING SPECIALISTS IN THE COVID-19 ENVIRONMENT

Including Considerations for Involving Specialists in Audits
of Financial Statements

October 2020

Using Specialists in the COVID-19 Environment

Including Considerations for Involving Specialists in Audits of Financial Statements

This staff publication provides guidance to assist professional accountants in business and professional accountants in public practice determine when there might be a need to use the services of a specialist to assist in performing specific tasks and other professional activities within their employing organizations, and in serving their clients in the COVID-19 environment.

Professional accountants need to be mindful and take into consideration that some jurisdictions might have provisions that differ from or go beyond those set out in the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). In these jurisdictions, accountants need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.

This publication was developed by the Staff of the American Institute of Certified Public Accountants (AICPA) under the auspices of a Working Group formed by the International Ethics Standards Board for Accountants (IESBA) and national ethics standard setters (NSS) from Australia, Canada, China, South Africa, the UK and the US.¹ In addition to the contributions from the Working Group, and IESBA Staff, the publication has also benefited from the input of the Staff of the International Auditing and Assurance Standards Board (IAASB).

The Working Group's charge is to develop implementation support resources to assist professional accountants in effectively applying the Code when facing circumstances created by the COVID-19 pandemic.

This publication does not amend or override the Code or the IAASB's International Standards, the texts of which alone are authoritative. Reading this publication is not a substitute for reading the Code or the IAASB's International Standards. The implementation guidance is not meant to be exhaustive and reference to the Code or the IAASB's International Standards, as appropriate, should always be made. This publication does not constitute an authoritative or official pronouncement of the AICPA, the IESBA, the IAASB or the other NSS organizations that form part of the Working Group.

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1. The NSS are the Australian Accounting Professional & Ethical Standards Board, Chartered Professional Accountants of Canada, the Chinese Institute of Certified Public Accountants, the South African Independent Regulatory Board for Auditors, the UK Financial Reporting Council, and the American Institute of Certified Public Accountants.

The COVID-19 pandemic has given rise to unprecedented challenges for businesses and other organizations around the world, including the accounting profession. It has become necessary to adapt ways of working and supervising the work of others. The change in landscape may result in requests for professional accountants, both in business (PAIBs) and public practice (PAPPs), to perform different types of activities and services than they are accustomed to and to work in ways that differ from their pre-pandemic environments.

Depending on the nature of these activities and services, threats to compliance with ethical standards that were not initially contemplated may arise and the level of threats that were previously identified and evaluated may change. For example, accountants who find it challenging to keep up with any relevant COVID-19 pandemic-related changes in laws and regulations may experience pressure to breach the fundamental principles of professional competence and due care and professional behavior. Those who perform audits of financial statements may face additional challenges as well, including considerations related to auditor independence.

Changing circumstances might also affect the planned approach to the accountants' work as well as the level of previously identified threats to compliance. For example, in the remote working environment that has become commonplace during the COVID-19 pandemic, an accountant may not have access to resources required to ensure competent performance.

These circumstances may create a need for an accountant to consider using a specialist to assist in performing certain tasks or undertaking certain engagements.



The term **specialist²** refers to an individual or organization possessing expertise — skills, knowledge and experience — in a field other than accounting or auditing. That expertise can be used by management or an external auditor. Examples include the valuation of complex financial instruments or land and buildings, where valuers might be used as specialists to assist management or the external auditor.



The pressures and challenges of the COVID-19 pandemic do not lessen professional accountants' obligation to comply with applicable professional standards, including the *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the relevant ethics and independence standards that apply within their jurisdictions.



The May 2020 IESBA Staff Q&As, *COVID-19: Ethics and Independence Considerations*, includes a discussion of important considerations to bear in mind regarding compliance with the fundamental principles in the COVID-19 environment. Among other matters, the Q&As publication:

- Provides guidance to help accountants deal with situations in which a safeguard is no longer available;
- Highlights how accountants are to respond to ethical dilemmas created by COVID-19-related pressures; and
- Specifies the circumstances in which a firm can provide assistance to its audit clients.

2. Also referred to as an "expert" in the Code and in the IAASB's International Standards

Is it time for a specialist?

Accountants are always required to perform their professional duties in a competent and diligent manner. This includes appropriately supervising others — even in a virtual work environment. The evolving nature of the pandemic means that facts and circumstances are susceptible to sudden change. This in turn might create threats to compliance with the fundamental principles that were not initially contemplated or might change the level of threats that were previously identified and evaluated. The changes could also affect the reliability of information or present additional uncertainties which could have implications for key judgments and conclusions that accountants make with respect to preparing, presenting, reviewing and auditing financial information. Regardless of the changing circumstances, accountants must maintain the professional knowledge and skills needed to serve their employing organizations and clients. Accountants may also need to engage a specialist to discharge their duties competently and diligently. For example:

- The skills and knowledge of economists can help PAIBs and PAPPs, including auditors, better understand the changing economic outlook or general environmental factors due to COVID-19 and the operational implications for organizations and clients.
- The use of an IT or fraud specialist may help an accountant or firm identify or advise on risks with respect to COVID-19-related cyber threats and fraud.
- The use of a tax advisor may be necessary in determining the implications of COVID-19 government assistance programs, including loan forgiveness plans, subsidies, or grants (e.g., the US Paycheck Protection Program loan).³

The “Involving Specialists in Audits of Financial Statements” section of this publication includes a discussion of situations in which a firm may involve a specialist during a financial statement audit.

To assist in identifying areas in which it may be appropriate to use a specialist, there are several important considerations to keep in mind.

For PAIBs and PAPPs, including auditors:

- Individual and organization-wide gaps in skills, knowledge, or experience required for fulfilling new reporting or compliance responsibilities arising from the COVID-19 pandemic
- Adequacy of resources to respond to sudden changes and uncertainties arising from the COVID-19 pandemic as well as additional tasks and responsibilities that might be requested of employing organizations or by clients
- Whether it will be practicable to address immediate needs (e.g., resourcing and supervisory) in light of current restrictions on travel and in-person interactions
- Whether IT infrastructures have the capacity to support the technological needs of remote teams
- Whether there is increased exposure to risks, e.g., fraud, cyber threats

For PAPPs, including auditors:

- Whether the nature or immediacy of a client’s COVID-19-related request might affect the firm’s ability to support its existing clients or handle COVID-19-related challenges that affect the firm’s own business
- The firm’s awareness, knowledge and access to specific legal and regulatory COVID-19 requirements and related guidance (e.g., industry-specific bulletins, instructions on how to apply or account for government stimulus programs) and its ability to timely synthesize and disseminate it to client-facing teams
- Availability of infrastructures, tools and individuals with sufficient and appropriate experience to train and supervise virtual teams



When circumstances change, it may be necessary to act. It is critical that professional accountants remain alert for new information and changes in facts and circumstances, including during an existing engagement, assignment, or task. This will help to determine whether different resources and expertise are necessary.

3. A Paycheck Protection Program (PPP) loan is a type of government assistance that is designed to help businesses in the US keep their workforces employed during the COVID-19 pandemic.

Are there risks if you don't engage a specialist?

You may find that requests from your clients or employing organizations are changing due to the current environment. For example, if you are in public practice, an audit client may ask for tax-related help in an area outside your expertise. Or if you are in business, your organization's management may ask you to supervise the work of others in an area where you have no experience. The following are some questions to ask that will help you identify areas of potential risk that may indicate it's time to bring in a specialist:



- Is there potential for changes to the task or service rendered due to COVID-19-related challenges?
 - Are you able to provide the guidance or advice requested in a timely manner due to the need for research or study of the issue?
 - Is there pressure to perform a COVID-19-related task or service within an accelerated timeline?
 - Are you able to take the continuing professional education or development (CPE/ CPD) courses necessary to perform the task or service competently in a timely manner?
-
- Are you able to perform or supervise the task or deliver professional services in a competent and diligent manner? In particular:
 - Are there gaps in your professional knowledge and skills to serve your employing organizations or clients as a result of COVID-19 circumstances?
 - Do you have the relevant information to help you exercise due care and use sound professional judgment when applying the requisite knowledge and skills?



In times of turbulence, professional accountants must exercise heightened focus on ethics and their responsibility to act in the public interest.

Avoiding violations of ethical standards

While working to meet the unexpected new challenges of the current environment, it's possible to lose sight of the need to comply with the fundamental principles and independence requirements. Here are some ways to mitigate the risks of violating the fundamental principles and, where applicable, impairing independence:



- Give appropriate consideration to overdue fees from audit clients
- Act with integrity by being straightforward and honest, even if doing so leads to reporting information that is unfavorable
- Don't compromise professional judgment because of bias, conflict of interest, or undue influence of others
- Respect the confidentiality of information acquired as a result of professional and business relationships
- Don't engage in activities that might impair the integrity, objectivity or good reputation of the profession
- Ensure you and others within your organization have the knowledge and tools to undertake the work
 - Increase engagement and dialogue among members of engagement and organizational teams and with appropriate stakeholders
 - Set up dedicated COVID-19 response hubs
 - Develop guidance, interpretations, and practical tools
 - Develop programs to support the enhanced competency and skillset requirements
- Remain alert for new information and changes in facts and circumstances to exercise professional judgment
- Consider the perspective of a reasonable and informed third party
- Closely monitor services and advice and recommendations provided to audit clients to avoid assuming management responsibilities when assisting clients with COVID-19-related business challenges



When asked to assist audit clients navigate COVID-19-related challenges, e.g., with the preparation of forecasts or prospective financial statements, or when asked to perform valuation services, firms are required to comply with the Code's Non-Assurance Services provisions and not provide a prohibited service. Before agreeing to provide any such service, firms should ensure that the requested service or activity is not prohibited.



The search function in the IESBA eCode can help firms review the types of services that can or cannot be provided to an audit client.



Access a high-level summary of the prohibited services, interests, relationships and other actions applicable to audits of public interest entities by clicking the image to the left.

Involving specialists in audits of financial statements

Here are some circumstances that, taken together, ordinarily indicate the need for a specialist during an audit engagement:

- The facts and circumstances indicate the need for expertise in a field other than accounting or auditing.
- The auditor does not have the necessary expertise.
- The auditor is not able to obtain a sufficient understanding of that field to perform the audit.

In the current environment, accounting estimates is the area most likely to be impacted by the need for additional expertise. Previously, you may have been able to evaluate accounting estimates without the use of a specialist. For example, you may have been able to ascertain certain inputs to a fair value calculation such as future cash flows or discount rates without the help of a specialist (e.g., by using industry averages or historical rates).

However, in these uncertain times, industry averages or historical results may not adequately support the reasonableness of the assumptions. Auditing these balances may now require a different expertise. Specialists can assist auditors with evaluating whether management has appropriately considered the current economic environment and conditions, depending on the facts and circumstances of the entity. Matters to consider when deciding whether to involve a specialist in the current circumstances include:

- The degree of estimation uncertainty in the accounting estimate.
- Whether a different model than the previous one has been used, or where the information had previously been readily available in the market but is no longer available.

- Whether the ability to comply with accounting requirements have become more complex in the current environment, thus affecting the valuation of the accounting estimate under the applicable financial reporting framework.
- The need for professional judgment with regard to data and assumptions used, taking into account available information from the market.

In using any specialist, you are always required to evaluate the competence, capability, and objectivity of the individual for the purpose of using the specialist's work, taking into account any previous experience with that specialist. It is also important to understand the specialist's field of expertise so that you can evaluate the adequacy of their work for the purpose of your audit.

Although the use of specialists is not specifically referred to in the auditor's report, the area of focus for which you used the specialist may require disclosure as a key audit matter, where these are disclosed (e.g., for listed entities) because it required significant auditor attention in performing the audit. Within the description of the key audit matter, you may wish to refer to the use of a specialist.

The key to using specialists is to plan and engage early. Specialists are significantly more in demand than ever before; they are also being used on other types of engagements that they may not have been previously used, such as new engagements to report on funding or stimulus packages.



Trust in financial statements is especially important in adverse times.

Learn more

Access COVID-19 Resources by clicking on the images below



AICPA
Coronavirus (COVID-19)
Resource Center



IESBA
COVID19: Ethics &
Independence Consideration



IAASB
Guidance for Auditors During
the Coronavirus Pandemic

Other General Resources:

[IESBA Support and Resources](#)

[IAASB Support and Resources](#)

[International Standard on Auditing \(ISA\) 620,
Using the Work of an Auditor's Expert](#)

About AICPA

The American Institute of Certified Public Accountants (AICPA) is the world's largest member association representing the accounting profession. The AICPA's history of serving the public interest stretches back to 1887. Today, you'll find 431,000+ members in 130 countries and territories, representing many areas of practice, including business and industry, public practice, government, education and consulting.

About IESBA

The International Ethics Standards Board for Accountants (IESBA) is an independent global standard-setting board. The IESBA's mission is to serve the public interest by setting ethics standards, including auditor independence requirements, which seek to raise the bar for ethical conduct and practice for all professional accountants through a robust, globally operable *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code).

About IAASB

The International Auditing and Assurance Standards Board (IAASB) develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

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Published by International Federation of Accountants (IFAC), 529 Fifth Avenue, New York, NY 10017

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