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COVID-19 AND EVOLVING RISKS FOR MONEY LAUNDERING, TERRORIST FINANCING AND CYBERCRIME

December 2020

COVID-19 and Evolving Risks for Money Laundering, Terrorist Financing and Cybercrime

This Staff publication highlights the heightened risks of money laundering, terrorist financing and cybercrime arising from the disruptive and uncertain COVID-19 environment and the implications for professional accountants in business and public practice, including auditors and accountants in government.

This publication was developed by the Staff of Chartered Professional Accountants of Canada (CPA Canada) 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 The publication has also benefited from the input of the Staff of the IESBA.



This document complements the IRBA-IESBA-IAASB Joint Staff Publication, *Navigating the Heightened Risks of Fraud and Other Illicit Activities During the COVID-19 Pandemic, Including Considerations for Auditing Financial Statements*.

The Working Group's charge is to develop implementation support resources to assist professional accountants in effectively applying the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) when facing circumstances created by the COVID-19 pandemic.

This publication does not amend or override the Code, the text of which alone is authoritative. Reading this publication is not a substitute for reading the Code. The implementation guidance is not meant to be exhaustive and reference to the Code, as appropriate, should always be made. This publication does not constitute an authoritative or official pronouncement of CPA Canada, the IESBA 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.

Introduction

Professional accountants have experienced the disruptive force of the COVID-19 pandemic first-hand in carrying out activities in serving clients, performing business functions and employment duties. Indeed, the pandemic has changed the routines and behaviors 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.

What Should Professional Accountants Know?



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. Times of disruption, such as the current pandemic, bring with them a need for accountants to exercise a heightened alertness to global, jurisdictional and sector risks of MLTF and cybercrime when carrying out professional activities and reference should be made to relevant and local sources for financial intelligence and cyber security information. Many countries, including Australia, Canada, the UK and the USA, have issued advisory warnings of increased cyber risks for healthcare entities involved in national and international COVID-19 responses. In Canada, the Financial Transactions and Reports Analysis Centre (FINTRAC) issued a *Special Bulletin on COVID-19: Trends in Money Laundering and Fraud* citing a variety of observations and scenarios to be aware of. In Australia, the Australian Cyber Security Centre (ACSC) published *Threat update: COVID-19 Malicious Cyber Activity*, which includes incident statistics and case study examples.

MLTF and cybercrime have much in common. They are perpetrated by those with illicit objectives and often involve fraud as the underlying or primary crime committed. The illicit activities can involve other unwitting individuals, including professionals, or organizations in what might be a series of events or transactions designed to conceal the illicit intent. Vulnerabilities, weaknesses and lapses in controls due to COVID-19 disruptions provide the opportunities that are sought by bad actors with varying degrees of sophistication. Globally, society is harmed by MLTF and cybercrime, with those who are most vulnerable often being hurt most. This emphasizes the importance of professional accountants' responsibility to act in the public interest and to comply with relevant laws and regulations, including those regarding money laundering and terrorist financing.

In the current COVID-19 environment, professional accountants should be mindful of the need to remain aware of, and alert to, the many potential types of evolving risks being identified for MLTF and cybercrime for their clients, employing organizations and themselves.

- Fraudulent abuse of COVID-19 government stimulus and support programs have been reported in various jurisdictions and this creates new, illicitly obtained funds for laundering through legitimate organizations and institutions. Those with illicit objectives are likely to be on the lookout for new opportunities to illicitly obtain funds and new ways to launder those funds. For example, severe economic challenges for organizations may create new pressures for the sourcing of financing from illicitly obtained funds.
- Cybercrime, including theft of identity, compromise of email addresses and websites, and distributed denial of service ransomware attacks, is increasingly present. It affects all sectors, large and small entities and individuals. Phishing and data-harvesting malware are facilitating breaches of privacy and confidentiality, which are of particular ethical concern if information has been compromised.



Accountants warned as fraudsters seize Covid-19 crisis

June 2020

[Click image to read more](#)



Alleged COVID-19 scams lead to takedowns of more than 1,000 websites in Canada

May 2020

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Whether a professional accountant is evaluating cybersecurity risk during an audit, analyzing the effectiveness of a client's internal controls to prevent or detect MLTF which may have been altered in response to the pandemic, reviewing an employing organization's risk-based approach to comply with an anti-MLTF jurisdictional regime, or considering the adequacy of an employing organization's cybersecurity measures in a "work from home" environment, it is clear that the possible pandemic effects should be top of mind in carrying out professional activities.

How Should Professional Accountants Respond?

The pressures and challenges of the COVID-19 pandemic do not lessen professional accountants' obligation to comply with applicable professional standards, including the Code or the relevant ethics and independence standards that apply within their jurisdictions. In those jurisdictions where the Code has been adopted, accountants need to be mindful and take into consideration that their jurisdiction might also have provisions that differ from, or go beyond, those set out in 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.

Complying with the Code's fundamental principles assists professional accountants with navigating the evolving risks,

including during the dynamic pandemic period. The conceptual framework provides accountants with an approach to identify, evaluate, and address threats to compliance with these principles. To successfully carry out their professional activities, it is important for accountants to adapt to the dynamic and disruptive nature of the COVID-19 pandemic, including how abruptly it has altered individuals' and organizations' plans, work routines, as well as other activities and practices. An understanding of COVID-19-related risks and pressures, including those relating to MLTF and cybercrime, can help accountants comply with their professional obligation to remain alert for new information or sudden changes in facts and circumstances that might affect compliance with the fundamental principles.

What Resources are Available?

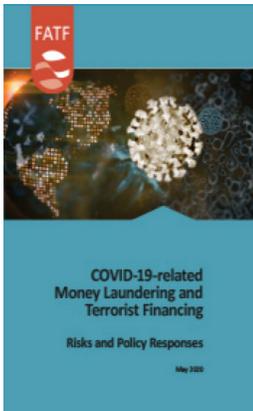


Many organizations, including the IESBA have released helpful resources to help in navigating COVID-19 related challenges.

- The Staff Publication, *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.
- The evolving COVID-19-related risks and pressures, including MLTF and cyberthreats, may require resources and expertise beyond the professional accountant's capability or competence. In such circumstances, there might be a need

to use the services of a specialist. In this regard, the Joint AICPA-IESBA-IAASB Staff Publication, *Using Specialists in the COVID-19 Environment: Including Considerations for Involving Specialists in Audits of Financial Statements* includes important considerations.

- The complementary IRBA-IESBA-IAASB Joint Staff Publication provides relevant guidance to assist accountants during this tumultuous period in relation to fraud and other illicit activities.



International standards for anti-money laundering and terrorist financing (AMLF) are established by the Financial Action Task Force (FATF). In reviewing the challenges posed by COVID-19, the FATF has found that a variety of increased risks and threats exist globally and are expected to continue. With new vulnerabilities created through the disruption in addition to the health and economic challenges, those with illicit objectives are seizing

upon opportunities for MLTF and cybercrime. Professional accountants must be alert to this changing landscape, consider the possible risks posed to their clients, employing organizations and themselves, and be aware of their ethical responsibilities and applicable legal and regulatory requirements.



In August 2020, the International Criminal Police Organization (INTERPOL), reported that cyberthreats have increased during COVID-19 and the opportunities for those with illicit objectives have changed. Swift adaptation by bad actors has led to new targets and methods, taking advantage of

the pandemic disruption. Individuals, businesses, non-profits, and the public sector are all seen to be at risk, with continuing harm globally expected to continue through the changes brought about by the pandemic. Professional accountants must be aware of cyberthreats, alert to the possible risks to their clients, employing organizations and themselves, and be aware of their ethical responsibilities and applicable legal and regulatory requirements.

Relevant Resources that Professional Accountants May Find Useful Include:

INTERPOL

Report: [Cybercrime COVID-19 Impact](#)

Publication: [COVID-19 Stay Safe](#)

FATF

Publication: [COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses](#)

FATF Webinars: [Money Laundering and Terrorist Financing and COVID-19](#)

International Federation of Accountants and its Network Partners

IFAC and ICAEW Release First Installment of Six-Part Anti-Money Laundering Educational Series

IFAC and CPA Canada Joint Publication, [As Financial Crimes Grow during the Pandemic, Accounting Groups Address Key Piece of AML Action Fighting Corruption Requires Accountants to Act: Here's How](#)

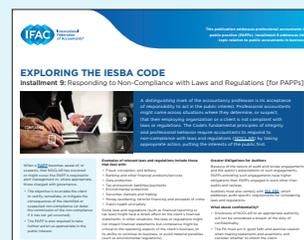
CPA Canada: [COVID-19 fraud alert: Be on the lookout](#)

Click on the images below to learn more by reading the relevant installments of the Exploring the IESBA Code publication series.



Installment 8: Responding to Non-Compliance with Laws and Regulations [for PAIBs]

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Installment 9: Responding to Non-Compliance with Laws and Regulations [for PAPPs]

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Chartered Professional Accountants of Canada (CPA Canada) is one of the largest national accounting organizations in the world and is a respected voice in the business, government, education and non-profit sectors. CPA Canada is a progressive and forward-thinking organization whose members bring a convergence of shared values, diverse business skills and exceptional talents to the accounting field. Domestically, CPA Canada works cooperatively with the provincial and territorial CPA bodies who are charged with regulating the profession. Globally, it works together with the International Federation of Accountants and the Global Accounting Alliance to build a stronger accounting profession worldwide. As one of the world's largest national accounting bodies, CPA Canada carries a strong influential voice and acts in the public interest.

About the 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).

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