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## **Student Reflections on Assurance and Taxation during COVID-19: A Commentary\***

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### **ABSTRACT**

In this commentary, we document insights on the impact of COVID-19 on the practice and practitioners of assurance and taxation from the perspectives of prospective professional accountants in a graduate accounting program leading to the CPA designation. These graduate students in accounting highlight that COVID-19 poses many challenges for the practice of assurance and tax, in terms of the nature and process of work, affecting a wide range of stakeholders. At the same time, a number of examples of creativity and innovation in overcoming challenges were also identified by the students. The richness of student insights leaves us feeling optimistic the future of the profession is in good hands.

### **Keywords**

COVID-19, pandemic, Professional accountants, assurance, taxation, challenges

## **Réflexions d'étudiants sur la certification et la fiscalité durant la COVID-19: Un commentaire**

### **RÉSUMÉ**

Dans ce commentaire, nous documentons les réflexions sur les impacts de la COVID-19 sur la pratique et les praticiens œuvrant en certification et fiscalité en adoptant la perspective de futurs comptables professionnels inscrits dans un programme de deuxième cycle menant au titre de CPA. Ces étudiants d'études avancées en comptabilité mettent en lumière les défis de la pratique en certification et en fiscalité, relativement à la nature et au processus de travail, affectant un large éventail de parties prenantes. Au même moment, plusieurs exemples de créativité et d'innovation pour faire face aux défis ont été identifiés par les étudiants. La richesse des réflexions des étudiants nous permet d'être optimistes que l'avenir de la profession est entre bonnes mains.

### **Mots clés**

COVID-19, pandémie, comptables professionnels, certification, fiscalité, défis

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COVID-19 has been and is still a threat for the health of Canadians (Government of Canada, 2020). Ferguson *et al.* (2020) and numerous others indicate that the COVID-19 situation is historic in its gravity. When a crisis hits our personal and professional lives (Rinaldi and Zarum, 2020), an immediate series of actions are required, both at individual and organizational levels.

Like all people and organizations, the accounting profession in Canada and worldwide has been faced with responding to the COVID-19 pandemic. On March 11, 2020, the World Health Organization (WHO) declared a worldwide pandemic for COVID-19. Future Chartered Professional Accountants (CPA) have seen the resulting changes and will have to deal with the consequences of the pandemic – perhaps throughout their professional careers.

During the Foresight exercise by CPA Canada (2019a), different scenarios were considered to prepare and position Canadian CPAs for the future. Four distinct alternative scenarios were proposed: 1. Slow and Steady, 2. Phoenix Rising, 3. Tech Titans, and 4. My Way (CPA Canada, 2019b). One scenario, Phoenix Rising, is “a world where calamity inspires global cooperation and technology is harnessed for the common good: equitable, integrated, regulated, redistributive”; “a world where a series of major crises force societies to reset priorities, collaborate, and embrace transformative technological & organizational change” (CPA Canada, 2019b: 13, 16). Given the COVID-19 pandemic, it turns out Phoenix Rising is not just a hypothetical scenario, but many of the expectations and the fears of CPAs as imagined in the Phoenix Rising scenario are real. Rinaldi (2020: 30), commenting on the Phoenix Rising scenario, indicates that: “Its bleakest projections have become reality in the form of the coronavirus pandemic, a paralyzed global economy, untameable wildfires and record-breaking temperature”.

According to Yu (2021: 22), writing in *Pivot*, with the COVID-19 pandemic, a “new work-from-home world order” is emerging. Within this new world order, Yu (2021: 22) acknowledges that “Sometimes it feels less like working at home and more like living at work”. The shift towards working from home during the pandemic was sudden and significant. The proportion of Canadians working from home changed from 4% before the pandemic to 22% as of June 2020 and 31% as of September 2020 (Baker, 2021). Almost half (49%) of employed Canadians surveyed by CPA Canada in September 2020 “said their primary workplace location had changed due to COVID-19” (Baker, 2021: 20). Further, the percentage of Canadian businesses at which more than half of all employees work remotely was 9.2% before February 2020, and jumped to 23.9% by the end of May 2020 (Baker, 2021).

We offer a commentary on these challenging and unprecedented times. A commentary seeks to provide timely insights into an issue of interest and importance to a wide audience. In this commentary we document insights on the impact, to date, of COVID-19 on the practice and practitioners of assurance and taxation from the perspectives of prospective professional accountants studying in a Canadian graduate accounting program leading towards their CPA designations. Our research objective is to understand the impacts of COVID-19 on the fields of assurance and taxation. In particular, we address the following research question: How do prospective CPAs understand the

impact of COVID-19 on professional practice and the profession? To address this question, during Summer 2020, Master of Accounting students offered their observations on how COVID-19 has, and is expected to, impact professional accounting practice regarding assurance and taxation. In addition, we supplement the students' comments with support from the professional accounting literature (for example, articles from *Pivot*, published by CPA Canada) to provide additional insight into how the pandemic has impacted professional accounting practice and accounting professionals.

This commentary results in several contributions to practice and research. The comments provide insights into the thoughts and concerns of CPA students at an unprecedented and impactful time. Insights from the students and practitioners inform the accounting profession about the ongoing transformation and show how future CPAs are meeting these expectations in a particularly challenging time in innovative and creative ways. Finally, this commentary is among the first to synthesize these concerns and identify opportunities for future research in this area.

The remainder of this commentary is organized into four sections. The first section describes the procedures used. The second section presents insights on the practice of assurance and the impact on assurance practitioners. Next, insights on taxation matters are presented and the impacts on various stakeholders are addressed. In a final section, we present concluding remarks, our own reflections, and suggestions for future research.

## PROCEDURES

We asked Master of Accounting students in both assurance and taxation courses to respond to on-line discussion forum prompts in the summer term (May – August) of 2020. Specifically, we asked them how they had observed COVID-19 impacting professional accounting practice or how they anticipated it would have an impact. Table 1 summarizes the instructions given to students for their reflections on COVID-19.

Insert Table 1 here

Students from both years of the Master of Accounting program participated – 54 full-time students in advanced assurance (second year) and 70 students in advanced taxation (55 full-time and 15 part-time) (first year).

Table 2 summarizes demographic data about the students. Women represent 49% of the participants. Most of the students had between 8 months and 2 years experience working in public accounting firms (predominantly large and medium-size firms), in either assurance or taxation roles. Many students had completed co-op placements in public accounting prior to beginning permanent positions. Although a small number of students indicated having over 10 years of work experience, this experience was generally in non-accounting roles, and accounting was a second career for these individuals. A number of students (approximately 73%) worked during March and April 2020, i.e. the beginning of the pandemic, and were still employees of their organizations during the Summer, returning to their jobs after the Summer. Almost all part-time students were working at the beginning of the pandemic and continued their employment during their period of

studies. It is not possible to know the specific work roles participants had, however, most have some experience in assurance.

Insert Table 2 here

Reflecting on the impact of COVID-19 on the accounting profession was a required assignment in each course. Students were asked to write approximately 250 - 300 words and post their observations in the course learning management system. The assurance students in total wrote 15,839 words (approximately 293 words per student). The taxation students wrote 24,086 words (approximately 334 words per student). Thus, we were able to capture the insights of 124 student members of the profession. Note that we did not set out to write a commentary based upon the insights offered by the class participants, rather we were impressed by the depth and breadth of observations made by the students and thought they merited a commentary. We advised the students of our interest in writing a commentary summarizing their insights and invited the students to let us know if any of them wanted to be involved in writing the article. No students indicated an interest in contributing to writing the commentary. We advised the classes that we would acknowledge their involvement in the project, which we have done.

Individual reflections, posted to discussion forums in the courses' learning management system, were seen by all students in a specific class. These initial posts were non-anonymous as they were intended to generate interaction and discussion amongst members of each class. As we did not plan to write a research article based on student insights, we did not initially formally seek students' consent to participate in this project. Thus, no initial written consent form was used. Rather, once we realized how meaningful and insightful the students' comments were, participants were informed orally of the possibility of an article being published based on, and using, some of their observations. We informed the students of the possibility some of their comments might be included in this commentary and asked if they were comfortable with us using their posts. Two students replied they were not comfortable, and their comments were excluded. We also sought approval from the university research ethics office for the secondary use of the students' data, which we received. Students' comments used in the paper have all been de-identified.

We use content analysis to identify and organize themes included in the student commentaries. Content analysis is a well-established technique that aims at generating data "by observing and analysing the content or message of written text" (Hair et al., 2007: 195). All comments were examined by each professor and classified under broad themes. Themes refer to the classification of comments under certain groupings that clustered together and include similar topics.

We capture the students' insights under a range of headings. These headings include, for assurance: accounting-related impacts, impacts on assurance engagements, impacts on interactions with clients, and impacts on assurance firms; for taxation: impacts on individual taxpayers and organizations, impacts on governments and the Canada Revenue Agency (CRA), impacts on CPA firms and tax advisors, and impacts on the accounting profession. Students addressed both short- and long-term consequences for individuals,

organizations, practices, governments, the CRA and the accounting profession. Students were all randomly assigned a unique identifier. Assurance students were coded AS-## and Taxation students were coded TX-##. These identifiers are used in referring to any quotations excerpted from the student commentaries.

## ASSURANCE

In this section, insights related to the practice and practitioners of assurance are presented and discussed. Table 3 summarizes the structure of themes on assurance. The majority of student comments reflected a focus on external auditing concerns, consistent with the fact 81% of the assurance students were working in assurance roles in public accounting firms immediately prior to beginning their assurance class. In spite of their experience working predominantly in external audit, some students extended their comments to internal audit contexts, which may reflect either the small number of students who reported experience working in internal audit, or the fact the assurance course includes material on operational audit, consistent with the CPA Competency Map.

Insert Table 3 here

### **Accounting-Related Impacts**

Writing in *Pivot*, and reflecting on a tumultuous year for the profession during the pandemic, Paradine (2021: 16) mentioned “a tsunami of accounting and auditing issues”. Comments by the Master of Accounting students identified a range of these accounting and auditing issues.

### ***Adverse Impacts on Business***

Students identified a range of possible impacts of COVID-19 on businesses, and particularly on their clients. Given the business restrictions in place which required many Canadian companies to temporarily cease operations, students were concerned that their clients were facing significant (and sometimes total) decreases in revenues. As a result, businesses were needing to pivot quickly to identify potential new revenue streams (for example on-line or curbside sales) and/or to cut their costs (for example through laying off employees or dropping services). Because of the rapidity and severity of impact on their business activities, students also expressed concerns that their clients might find themselves in violation of their loan covenants and needing to negotiate exceptions to those covenants. Linking this to the potential impact on assurance services, one student observed that “Business[es] are facing challenges to meet their lending covenants, which may lead to increase [in] the risk of material misstatements” (AS-12). Not only did students consider the impact on individual businesses and assurance services, some also noted that the restrictions imposed to address COVID-19 might allow the underground economy to flourish.

### ***Management’s Estimates and Assessments***

Students observed that COVID-19 will have a significant impact on the estimates that management will need to make in preparing their financial statements, that, in turn, auditor’s will have to evaluate. In particular, students expressed the view that managements’ estimates will be more complicated and less reliable than usual. Updated

estimates for accruals, allowance for doubtful accounts, and inventory obsolescence were seen as necessary (see additional detail below). Management assessments were also seen as more challenging to make and to evaluate. For example, COVID-19 necessitated enhanced consideration of the going concern assumption by management (Paradine, 2021). This assessment is complicated under COVID-19 as the financial effects of the pandemic are not easily determinable and COVID-19 resulted in unprecedented uncertainty regarding liquidity for many businesses, and uncertainty with respect to the timeline over which COVID-19 would impact businesses. As a result, “Strong historical results of the profitability of a business in the past few years cannot, on its own, provide an argument that a business would still be considered a going concern” (AS-7). Indeed, while reviews of recent cash flows and updated budgets may be used to try to assess post-pandemic cash flows, this remains a significant challenge for many businesses whose activities may be curtailed or restricted in subsequent waves of the virus.

### *Accounting Challenges*

Students identified many areas where business owners or accountants were likely to experience challenges in preparing their accounts. These included general reporting challenges (such as measurement uncertainty, going concern, and subsequent events disclosures), as well as difficulties determining revenue, possible termination benefits, and valuing assets such as accounts receivable or inventory, and capital or financial asset valuation.

In terms of reporting challenges, students noted that businesses would experience uncertainty around many measurements and would face challenges determining the possible impact, level and detail of disclosures required in many areas of their financial statements. With respect to going concern issues, forced facilities closures, cancellations of events, significantly reduced sales traffic, and weakening financial positions have all affected business cash flows. “Companies now require a deeper going concern analysis and disclosures in the financial statements, due to uncertainty regarding the timing or outcome of this pandemic. Future cashflows are now difficult to estimate, and more companies may doubt their abilities to continue as a going concern” (AS-27). In addition to concern regarding the future ability of companies to survive the pandemic, COVID-19 may also require some companies, depending on their year-end date, to include notes related to subsequent events in their financial statements. For example, a significant drop in the market value of investments related to COVID-19 might need to be disclosed.

Possible income statement effects include revenue recognition issues relating to refund and return liability estimates which may arise as a result of the pandemic and the necessity to accrue for possible termination benefits should employees need to be permanently let go.

Effects on the balance sheets of many businesses will be difficult to assess and require additional judgements and estimates by management. The value of accounts receivable may be more difficult to assess than usual. For example, estimates for uncollectible accounts receivable or the allowance for doubtful accounts may need to be assessed differently as “businesses now need to reassess the estimate of collectivity because the behavior of customers may change due to [the] pandemic” (AS-12). For inventory, the

net realizable values of many items may have changed significantly as either write downs may be required or costs to sell may have increased. “COVID-19 may result in obsolete inventory for some companies and may have an impact on the net realizable value of some products which would affect the carrying value of inventory” (AS-34). Businesses will also need to consider possible impairment of asset values. “Due to decrease in revenues and the temporary shutdown of operations, impairment indicators may be present relating to cash-generating units triggering an impairment assessment at the end of the period” (AS-15). As a result, assumptions of revenue/cash flow growth will need to be reviewed to ensure these are still appropriate and do not indicate impairment.

### **Impacts on Assurance Engagements**

In addition to considering direct accounting impacts on their clients’ financial statements, the assurance students also identified significant effects of the pandemic on the nature of assurance engagements. Impacts on internal control, technology, risk assessments, and general performance challenges were all identified and discussed. With respect to internal control, students commented on both how their clients were impacted, as well as how internal control changes impacted the auditors. While most student comments focused on external auditing, some observations reflected an interest in the impact of the pandemic on internal auditing as well.

### ***Internal Control***

Several students commented that the clients whose internal control systems were most impacted were those whose systems were predominantly manual and based on paper documents. In particular, during the pandemic, many manual internal controls may no longer be used or may be ineffective, increasing risk of fraud or error (i.e., only one signer per cheque may be available, where normally two would be required). In addition, “Companies are being forced to adapt and layoff staff. This will change the internal control environment and often will result in inadequate segregation of duties” (AS-18). Finally, the maintenance of internal control may have become a very low priority for many businesses during the pandemic when the focus shifted towards business survival. For these reasons then, “Internal controls may have changed and may not be relevant any more, this may disrupt the audit process because the internal controls that were relied on in the past may no longer be used in the business as they have adapted to different business practices” (AS-20).

Auditors will need to adapt their testing of the new and evolving controls put in place during the pandemic. One student described the impact on internal controls as follows: “Companies need to adapt to the changing environment quickly, by establishing new processes and procedures and ensuring the safety of employees and customers. As such, control risk will inevitably grow for the following financial statement audit. Auditor’s will have to reassess their approach to an audit, and really focus on whether they can rely on existing controls. It is likely, that many financial statement audits will require a more substantive testing approach to compensate for the new control environment” (AS-13). The impact on the internal controls of all businesses will not necessarily be the same, however. For example, “As a result of the remote work being performed by many organizations, there may be more or less of a reason to rely on internal controls. For those with strong IT [Information Technology] internal controls and processes, there may be a

heavier reliance on the use of internal control testing” (AS-29). Thus, auditors will need to be adaptable and creative in mapping and testing controls. Testing controls may be difficult to do remotely, especially controls in enterprise resource planning (ERP) systems. Generally, these would be tested by asking employees to perform a task and observing the results. Screen sharing could simulate observing the client completing tasks on their computer, thus allowing auditors to complete some walkthroughs for certain clients. However, other clients may not have the capability to share their screens to allow the auditor to be able to witness the results.

### ***Technology***

Many students commented on the increased importance and role of technology in assurance engagements during the pandemic. In particular, a need for increased security and encryption capabilities to ensure online security and privacy with either remote access or the transfer of data outside the organization was noted. As AS-5 noted “the need for computers and networks to have adequate security and encryption resources became increasingly important as client data was being sent over the internet”. Going forward, entities are expected to need to update their policies and procedures to allow greater use of technology, remote work and cloud computing (Boddy, Burch, Carscallen and Wilding, 2020; Paradine, 2021). This could mean even small entities need to scan and store paper documents on a shared network, with each employee given appropriate access, and with appropriate consideration given to privacy, though “it may be more difficult to determine the legitimacy of an invoice if its not the original, and there could be edits made to the invoice which is not as evident when it is scanned in” (AS-08).

Finally, it is essential that each business has access to sufficient network capacity to allow all employees to work remotely, simultaneously. In terms of the impact on assurance engagements, the students noted that auditors are likely to make increased use of applications that analyze the General Ledger for certain criteria (for example, post-dated items, unusual words or amounts) and that auditors will “need to be more careful and to apply their own creativity while gathering audit evidence using technology so that the quality of audit work is not compromised” (AS-12). Increased use of computer-assisted audit techniques (CAATs) is anticipated on almost every audit, especially with relation to journal entry testing, though some difficulties may arise in conducting certain tests. For example, conducting a review of journal entries made outside normal business hours may be less effective during the pandemic because remote-working conditions and increased flexibility of working hours may mean many transactions take place outside normal hours.

The increased use of technology expected by students during audits was also noted by Rinaldi (2020, p. 17), who observed that “auditors have accelerated their use of technology, including confirmation platforms that allow auditors to get client customers, suppliers or bankers to electronically confirm the status of accounts or balances – a process that had been ‘very paper-based’ for years”.

### ***Risk Assessment and Planning***

Many assurance students commented on the impacts of COVID-19 on risk assessment and planning considerations for assurance engagements. These comments fell into two



broad categories – general risk factors and an increased risk of fraud. In terms of general risk factors, students noted that independence issues could arise in some circumstances if assurance firms offer too much advice on how to help businesses recover or on deciphering and applying for government assistance programs. Other students commented that it can be more difficult to gain an understanding of a client’s business remotely, and that this will be a particular concern for a new client. Even for existing clients, however, cost cutting measures and new revenue streams both have the potential to introduce risks of material misstatements, because they involve new accounting procedures and may impact controls. As one student stated: “In my experience at work, the risk assessments for all audits in progress needed to be revisited because of the new information. This became a very real example of how the engagement process is fluid and can change as new information is obtained” (AS-53). Updated risk assessments may impact the overall audit strategy for a particular client during COVID-19 and may result in the need for a more or a fully substantive audit approach. Regardless of the updated risk assessments, all “auditors must remain professionally skeptical of the support provided by clients” (AS-24), especially information provided electronically.

The second major risk factor that many students identified as a result of the pandemic was an increase in risk of fraud. Several students commented on how all elements of the fraud triangle (opportunity, pressure, rationalization) are heightened for both employees and businesses during the pandemic. For example, AS-52 noted that “those facing lessened income will feel financial pressure to steal, may be more likely to rationalize stealing, while fewer people in the workplace [or working from home]...could present opportunities for fraud” among employees. Business owners may have incentives to overstate revenues to appear healthy to creditors or they “may be inclined to book less revenue in order to meet the thresholds required to benefit from government subsidies” (AS-52); they may also have a greater opportunity to hide potential issues when only providing information digitally.

Students noted several ways assurance providers can respond to these increased risks, for example by anticipating significant fluctuations from prior year numbers, consulting with other experts for appropriate guidance, and “by implementing additional procedures, such as increased unpredictability [of] procedures, using a lower materiality level to test journal entries, and increasing the criteria used to test journal entries” (AS-32).

### ***Challenges with Observation***

In conducting assurance engagements, observation and inspection are considered the strongest forms of evidence. However, these are the two forms of evidence which are least feasible in a pandemic when there are significant restrictions on in-person activities. Not being able to physically observe or inspect poses challenges, especially for auditing property, plant and equipment and inventory (which are hard to test due to their physical nature and requirements to observe and confirm their existence). Challenges arise in ensuring inventory is not moving during a virtual observation, in testing the completeness assertion, and ensuring the auditors are the ones selecting the inventory samples to test count. Various strategies have been suggested for examining inventory. These include: greater reliance on rollback procedures, attending inventory counts with appropriate safety gear and physical distancing measures, including providing appropriate personal

protective equipment (PPE) to staff and doing background checks for symptoms, and virtual counts. Further, “Counts can be attended ‘virtually’ through video conference... Drones are already being used more in inventory counts and would be a great alternative to allow counts to occur from afar” (AS-24), though the effectiveness of such virtual counts may rest on the auditor having a good pre-existing understanding of a client’s facilities, products and locations.

### ***Additional Challenges and Consequences***

In addition to internal control and risk considerations, other students noted practical challenges associated with conducting assurance engagements during the pandemic. For example, obtaining evidence in an efficient and safe manner is more complicated and more time consuming. There may be difficulties visiting a predecessor auditor to obtain evidence of opening balances, key client personnel may not be available to respond to questions, obtaining information from banks (such as bank confirmations) may be more difficult, greater reliance on scans or pictures of documents may be required, and accessing evidence, in general, will take more time. These challenges can be addressed, in part, by lower materiality levels, greater professional judgement, and greater involvement of information technology specialists (for example tracing meta-data on a feed from a virtual inventory count from a specific server location to verify it originates in the client’s warehouse). It is important to recognize, however, that “though this increases the work and budget for audits, it is necessary to ensure the integrity of the data” (AS-43) for the audit. Other students felt that they were somewhat prepared to a move to working from home as they already worked ‘somewhat remotely’ in moving between clients. Finally, thinking about some of the longer-term impacts, one student noted that physical distancing might lead to smaller teams being sent to client premises for audits in the future. At the end of 2020 audits, it was expected that many opinions might need going concern disclosures, and indeed, for some clients, disclaimers of opinion may be necessary. In addition, additional notes to many client financial statements might be required referring to COVID-19 either as a subsequent event or mentioning greater measurement uncertainty during the period.

### **Impacts on Interactions with Clients**

In addition to challenges in planning and performing various aspects of assurance engagements, students also identified challenges related to the process of conducting assurance engagements. These include challenges working with clients, communicating with clients, and maintaining client confidentiality.

### ***Working with Clients Remotely***

Working on site at a client’s premises has some advantages (Boddy *et al.*, 2020). It is possible to learn about their business through informal conversations, overhearing comments, and sensing the morale and tone from the top of the organization (Lorinc, 2020). It is also easier to observe a client’s body language or nervousness in person (Lorinc, 2020; Paradine, 2021). The absence of these cues when working remotely make it harder to detect lies or misinformation, or it may just be easier for clients to be unavailable to answer your questions or to give unsatisfactory answers when they are not obliged to meet with you in person. Additional challenges arise when not working alongside a client, in that you cannot easily view them extract information from the

system, and the risk of information being changed without the auditor knowing increases. Even clients who are not attempting to be deliberately evasive, may be stressed and overburdened with their day-to-day responsibilities, in trying to stay current with government emergency funding programs, and in dealing with sudden changes arising from their operations being shifting online. One common response to these challenges was increased communications with clients.

### ***Communicating with Clients***

Students observed changes in the frequency, formality and level of communications with clients during assurance engagements. Greater efforts to maintain communications with clients were necessary to ensure effective and efficient communications (especially as clients themselves are overburdened). In some instances, lengthy emails/email chains were created, not always effectively. As an alternative, AS-14 noted “we set up daily, half-hour video calls with the client in order to remind them of items outstanding and to ask questions. This helped keep continuous communication with the client and get items resolved quickly. It also helped us build a better relationship with the client”. Other strategies involved an increased level of organization on the part of the audit team in requesting documents, and the preparation of tracking sheets for documents received and outstanding: “We had to make tracking sheets as to the files that we have been receiving in order to keep everyone informed on what documents have been received and not” (AS-07). In other instances “an extensive list of items required to complete the audit were provided to the client, and a take home box of information was organized for pick-up, and isolated for the firm’s mandatory 48 hours before use” (AS-16). In addition, instant messaging, short phone calls and emails became an integral part of the daily life of an auditor.

Additional communications between managers and partners and clients also became necessary, particularly engaging in challenging conversations over going concern issues. The communication challenges encountered during these first COVID-19 engagements suggest that client communications and relationships may unfold differently in future. For example, understanding and convincing clients of changes in how audits are to be performed could become a significant part of an engagement leader's responsibilities in future and there may be more upfront communication with clients in planning for future audits and addressing contingency plans. The staffing of client engagements may also differ going forward. According to AS-50, a “lack of face to face meetings will make it more difficult for newer staff to build trust with clients, whereas senior management has familiarly with clients”, which may mean a focus on greater continuity of staff personnel on client engagements to help foster and maintain relationships with clients.

### ***Confidentiality***

One final communication-related challenge is linked to the need to maintain client confidentiality in all communications. There are three distinct aspects to this challenge: protecting the confidentiality of client documents and records; creating a confidential environment in which clients feel free to communicate concerns, if any, to auditors; and examining confidential information (such as payroll and personnel records) during an assurance engagement. Stronger IT systems can help to ensure working papers and client confidentiality are protected, for example through protocols to address how confidential

information is transmitted (password protected documents, encrypted emails, etc.) and the use of virtual private network (VPN) access. Creating a trusting relationship with client personnel is really the only approach to ensure they feel free to discuss audit issues, complaints, or challenges faced with the audit team, in an open manner.

### **Impacts on Assurance Firms**

Students identified both challenges and opportunities for assurance firms related to COVID-19. The challenges can be categorized as either relating to the impacts on work processes (particularly efficiency) or workers themselves. The opportunities relate to the pandemic's ability to foster innovation and creativity.

#### ***Professional Work Processes***

The efficiency of many professional work processes was adversely impacted by remote work requirements early in the pandemic. Some audits were initially put on hold as not all the necessary evidence was able to be obtained electronically. For other engagements challenges arose in not receiving information on a timely basis – especially for hard copy documentation at clients where client staff were only able to be on site occasionally. This led to much more detailed notetaking for each engagement to track progress regarding documents requested versus those received. The variety of circumstances encountered led to delays in completing engagements, which in turn led to professional staff working on more engagements at the same time. According to AS-04, “Many audits are now being conducted electronically. By having to communicate via email or other, it is likely that audits will not be performed as efficiently as before”. Having worked through some of these initial inefficiencies, one student opined that “In the future I believe the best course of action is during the planning stage, to have contact with management in regards to how the audit is going to be conducted. For instance, send samples ahead of time so that the client has the time to send electronic copy, schedule Zoom meetings with management during the “field work period” to ask questions and complete these audits” (AS-31). In other words, audit planning can be adapted for all future engagements to plan and prepare for possible virtual engagements. Engagement planning, however, cannot address the challenges and impacts on professional staff of working from home while also caring for young children. This brings us to the impact of the pandemic on professional workers themselves.

#### ***Professional Workers and Personnel Matters***

The students noted a number of impacts of the pandemic on professional service staff. These impacts included distraction by family or children, isolation, scheduling challenges, concerns over morale and productivity, and difficulties sustaining a sense of community within the firm while working from home. AS-51 observed that “Working around family and children is distracting for employees”, while AS-45 noted “the team may have the extra scheduling difficulty of members being at home with their families and having to work around personal schedules which may have been less of an issue before”. A different challenge arose for individuals living on their own – “when those video calls ended you were left in isolation” (AS-36). Finally, one student commented that “the need to sustain a sense of community within the accounting firm became important as staff worked from home” (AS-05), which includes maintaining employee morale as well.

These personnel challenges were identified as impacting the profitability of accounting firms as well, with likely impacts on employee hiring, attrition, and staffing levels. Indeed, while acknowledging that managing staffing levels can be difficult given the uncertainty during COVID-19, one student noted that “an unfortunate response to this [uncertainty]...has been increasing the reliance on outsourced workers, who can be allocated more flexibly and are much cheaper” (AS-08). Another student expressed the view that “The various sources of stress increase the likelihood of mistakes and errors across the board” (AS-51), while more than one student observed that, having learned to work from home, this experience “May increase the trend of remote audits where auditors can perform audit work remotely from the client’s office” (AS-30) or lead to increased demand for work from home options, even post-pandemic: “As audit firms are currently investing in ways to make working from home more effective and efficient, I believe that the firms will see the value in keeping these advancements in a post-COVID Canada” (AS-06).

### ***Innovation and Creativity***

The impact of COVID-19 on the assurance profession has not be entirely negative. There has been pressure to “think differently” (Lorinc, 2020: 17) and many students identified opportunities for innovation and creativity in the pandemic, particularly in terms of assurance processes and opportunities to demonstrate the value of services the profession can provide to its clients.

The pandemic was seen by some as a learning opportunity, wherein businesses, the profession and individual professionals needed to adapt and had a chance to invent creative or innovative solutions (CPAB/CCRC, 2020; Rinaldi, 2020; Paradine, 2021). Examples could include: “re-aligning the audit plan”, “revisiting the auditor’s risk assessment”, “revisiting the efficacy of information technology general controls”, “adapting the approach to going concern evaluation”, “exploring different ways for the group auditor to exercise sufficient oversight”, “adapting supervision and review”, “increasing coaching” (CPAB/CCRC, 2020: 6), “remote inventory counts” (Lorinc, 2020: 17), “comprehensive ethics and cybersecurity training”, “integrating fraud risk management into internal controls”, “inventory of process changes”, and “Zoom calls and travel restrictions [which] allow partners and senior members of the audit team to be more involved in client meetings and oversight” (Paradine, 2021: 16). One Master of Accounting student noted “Our current situation can be seen as a learning opportunity for both auditors as well as businesses. Firstly, it requires auditors to establish creative procedures that are still in compliance with the standards while performing audits. While also addressing scope limitations they may encounter such as: accessing client records, and forecasting related to going concern. Secondly, [it] provides an opportunity for businesses who haven’t yet moved their processes online to be more accessible for operations, but also for the auditors to continue their audit” (AS-09). AS-30 agrees: “I believe a lot of clients will ensure that their documents can also be accessed electronically and not just physical copies”.

The pandemic also fostered the development of technical innovations and resources, some specific to the present circumstances, and others that may have greater long-term

utility. For example, “the profession has been working diligently to provide guides and references on how to tackle complicated accounting issues that have stemmed from COVID-19” (AS-41). One firm’s internal COVID-19 Resources Technical Library is an example which offers guidance on topics such as accruing an amount receivable under the Canada Emergency Wage Subsidy. Another firm produced a “dedicated fillable worksheet to help staff determine if adequate disclosure [over subsequent events] had been achieved” (AS-35). Internal auditors also have opportunities to assess organizational responses to COVID-19 to inform control developments and enhancements in the future, and “innovation in CAAT’s and workflow automation and client connectivity allowing for continuous assurance can be made and should be made to advance the profession” (AS-11). The work of the Auditor General of Canada, Karen Hogan, and other Auditors General will be particularly important in evaluating the effectiveness of government support programs, considering the vast amounts invested in various pandemic support programs (Subramaniam, 2020).

In addition to these technical advancements, several students also noted that COVID-19 and the profession’s responses to the pandemic have provided opportunities “for auditors to demonstrate their value beyond financial statement examination” (AS-13), and “to offer advice on how to help these businesses [smaller enterprise clients] recover” (AS-50). AS-52 also noted that “Beyond audits, our firm has prioritized helping clients (primarily small business owners) with deciphering and applying for government assistance, which is an important value-add to the client”. Thus, the services offered to clients during the pandemic highlight the value assurance clients derive from maintaining a strong relationship with their assurance service provider.

We now turn our commentary to a focus on insights arising from the discussion posts prepared by students in the taxation courses in the graduate professional accounting program.

## TAXATION

In this section, taxation themes identified in student discussion posts are presented and discussed. “It is not a secret that the pandemic has impacted all individuals, corporations and the Canadian economy” (TX-25). We identify and note how different groups are impacted by COVID-19, namely: individual taxpayers and organizations, governments and the Canada Revenue Agency (CRA), CPA firms and tax advisors, and the accounting profession. We structure the comments under these four different groups. Each group includes various topics. Table 4 summarizes the structure of themes on taxation.

Insert Table 4 here

All of governments, businesses and individuals are expected to face challenges in the future. According to one student, “A constantly repeated phrase in the news is how these are ‘unprecedented times’. COVID has completely shaken up the world, and its reach effects [sic] all facets of life – and tax is no exception” (TX-39). As another student noted, “Our day-to-day lives has [sic] changed drastically, new rules and regulations has

[sic] been put in place and living in uncertainty has all become a part of our new ‘normal’” (TX-25).

Among the challenges identified by the students in taxation were the following topics: tax compliance, tax planning, public finance, tax policy, tax work and tax education. Additional challenges that seem to be missing from the student observations are those related to tax research and tax litigation (Field, 2019; Hahn, 2018). In this regard, however, many students did anticipate fraud and possible litigation concerns that will need dispute resolution. For example, “Since CERB [the Canada Emergency Response Benefit] was designed as an attestation-based system anyone who applied would get the payment [this] opened up the risk of fraud and misuse of the benefits” (TX-08). The increase in risk of fraud more generally was also mentioned by the assurance students.

### **Impacts on Individual Taxpayers and Organizations**

Students identified impacts on individual taxpayers and organizations, identifying numerous challenges for each of these groups related to COVID-19. We have grouped observations related to the pandemic and taxation under the headings of the new context, tax compliance and tax planning concerns.

#### *New context*

As a short-term consequence, “COVID-19 has changed the way Canadians are working – Statistics Canada reports that nearly 3.3 million Canadians were working from home by mid-April” (TX-41). One student commented on the sudden changes brought about by the pandemic, noting that “businesses that face a significant decline of revenue would have been struggling to keep their workforce on payroll. A company that I worked for had to temporarily lay off most of the part-time event staff [...] a majority of them count on this job to pay their living expenses. Many of them are students, who would have suddenly lost the income to cover the rent or pay for their tuition” (TX-15).

Organizations face a number of challenges in their operations during the pandemic. “Businesses and corporations have been challenged to change their typical methods of operations through new technologies and processes while still meeting the needs of their customers and stakeholders” (TX-22). Both individuals and organizations face a challenge with a potential lack of liquidity. “There was hardly any warning regarding the COVID-19 pandemic and its large impact on individuals and organizations all around the world. It is possible that many corporations had an emergency response plan in place for what to do in a pandemic situation, however, when put into practice, one may realize just how unprepared they were for a global shutdown” (TX-26). Additional concerns for organizations may arise from a number of situations, including fewer workers or workers with lower than usual incomes, greater claims for office in the home deductions, etc.

Organizations also face additional costs, such as personal protective equipment, physical distancing measures and cleaning products (Rinaldi and Zarum, 2020). In some instances a ‘COVID fee’ may be charged to clients to absorb the additional costs. Additional measures of support may also be available to organizations. However, the complexity of some programs may necessitate the involvement of their tax advisors: One “... challenge that business are facing due to COVID-19 is navigating the content published by

governments regarding who qualifies for the various benefits and who does not (and for how much)” (TX-27).

Corporations engaged in developing a vaccine or other research-related activities may benefit from Scientific Research and Experimental Development (SR&ED) deductions and investment tax credits. “Eligible technologies corporations will probably apply for SR&ED credit for their new investments into finding more advanced tools for the online work/world” (TX-13).

### ***Tax Compliance***

Students commented on tax compliance matters such as the extension of administrative deadlines provided for personal income tax returns (T1 returns) and corporate tax returns (T2 returns) for 2019 tax return filing and payments. In addition, the students correctly anticipated that the information requested in, forms in support of, and the format of the 2020 tax return will need to be revised to reflect changes arising as a result of the pandemic.

Most individuals face personal consequences related to taxes, interest and penalties to be paid for 2019 and eventually for 2020. “Canada Revenue Agency (CRA) has made some changes to its tax requirements for the 2019 tax year including extended filing and payment deadlines” (TX-11). Measures of support from various government programs may benefit a lot of taxpayers, both those who lose their job or now work from home. Beneficiaries who have not set aside adequate resources to cover their tax liability related to these taxable payments (which were sent out to recipients with no taxes withheld), or possible reimbursement, if any, may find themselves in trouble in 2021: “... I believe the biggest consequences will be felt by the millions of Canadians who will be left owing significant amounts in tax for the first time in their lives” (TX-28).

In recognition of many issues related to tax compliance, Canada Revenue Agency (2021) announced a targeted interest relief measure that would allow individuals to delay payment of their income tax debt for the 2020 taxation year until not later than April 30, 2022. “To qualify for targeted interest relief, individuals must have had a total taxable income of \$75,000 or less in 2020 and have received income support in 2020 through one or more of the following COVID-19 measures: the Canada Emergency Response Benefit (CERB); the Canada Emergency Student Benefit (CESB); the Canada Recovery Benefit (CRB); the Canada Recovery Caregiving Benefit (CRSB); the Canada Recovery Sickness Benefit (CRSB); Employment Insurance benefits; or similar provincial emergency benefits” (Canada Revenue Agency, 2021).

In addition to commenting on overall changes in the administration of the tax system, students also addressed specific areas of concern from a tax perspective, including: eligibility and administrative processes for home office expenses related to working from home, impact on personal residence exemption, and cross-border issues, such as tax residency status for Canadians unable to return to Canada or visitors to Canada unable to return to their home countries. Tax implications related to various programs were also mentioned (CERB, CESB, CEWS – Canada Emergency Wage Subsidy, CEBA – Canada Emergency Business Account) (TX-35).



Home office expenses caught the attention of a number of students, for example: “Prior to the public healthcare crisis, employees would traditionally need to have a ‘work-from-home’ clause included in their contract alongside a T2200 form signed by their employer in order to claim office expenses” (TX-48); “To address the change in work environment, the CRA has made changes to broaden the requirements of the ‘work-space-in-the-home’ deduction, however, employers are still required to issue Form T2200 to each employee working remotely” (TX-63); “Will there be a special COVID work from home exception? What about instances where employers provided work laptops, or reimbursements for a workspace. Will these be taxable benefits, or would these be considered necessary to perform said job?” (TX-44).

It was expected that employers and taxpayers will have to prepare numerous forms, such as the T4 (Statement of Remuneration Paid), T4A (Statement of Pension, Retirement, Annuity, and Other Income), T2200 (Declaration of Conditions of Employment), T777 (Statement of Employment Expenses) related to COVID-19 income or expenses. The T4 2020 version requires additional information, such as a breakdown of employment income between March 15 to May 9, May 10 to July 4, July 5 to August 29, and August 10 to September 26 to allow for control with governmental programs. Regarding the T2200 form on home office expenses, “I can see this being a potential concern for larger employers as it would likely be a cumbersome task” (TX-48). “It should be noted that employers are required to fill a T2200 form to certify that working from home is part of their employee’s work arrangement. So with COVID-19, will all...Canadians now get a T2200 from their employer?” (TX-41). CRA has taken some steps to help individuals and organizations to address the challenges related to the work from home deduction, such as simplified rules and new forms (T2200S (Declaration of Conditions of Employment for Working at Home Due to COVID-19), T777S (Statement of Employment Expenses for Working at Home Due to COVID-19)), and tools to facilitate the calculations (Ball, 2021; Brouard, 2021).

Residency issues were raised, both for workers from outside Canada working in Canada and Canadians working abroad. “A lot of Canadians are stuck in other countries because of the pandemic. This raises the question of whether they will be considered a deemed non-resident or will the government create a new classification for these individuals” (TX-14). “One of the issues for individuals is their status as a tax resident of Canada [...] to avoid being deemed a resident through the 183-day sojourning rule by staying in Canada for less time” (TX-33). Additionally, “... some employees who came to work [in] Canada temporarily have been faced with being stranded in Canada for work purposes for a longer amount of time than originally planned due to travel restrictions” (TX-33).

### ***Tax Planning***

Some students identified opportunities for certain taxpayers, both corporate and personal, to take strategic advantage of tax rules during the pandemic. For example, students cite: reasonableness of allowances or reimbursements provided to employees due to changed circumstances of work; strategically choosing which room in the residence to identify as the work space for home office expenses to maximize the area identified as a work space and thus to maximize the expense claim; choosing to apply for government assistance

programs, especially for someone making less than the government assistance amount when normally working; triggering an estate freeze during the pandemic when business values might be unusually reduced, thus allowing for a reduced tax burden at the time of the freeze. Taking advantage of a number of these opportunities would require a significant degree of tax literacy. In addition, students also identified broader business-related concerns, for example, damage control, business planning, and contingency planning during the pandemic. Students identified that it may be difficult to undertake effective tax planning appropriately without proper certainty on tax treatments. For example, “If the majority of Canadian businesses follow this trend of working from home, will there be a change in CRA’s guidelines relating to the treatment of home offices?” (TX-17).

Students also identified several technical tax issues that are likely to be impacted by COVID-19. Among the issues cited are those such as the tax treatment of losses, carry-over of losses, write-offs, and debt forgiveness: “Personally, I believe tax rates will increase as a way to get back the financial aid that the government has given out. Maybe, it would be now beneficial to save your loss carry forwards as a company to later apply them when tax rates are expected to rise?” (TX-24). “It is probable that government amends the Income Tax Act in the short future regarding tax rate, loss carryovers and carryback rules as well as non-capital loss” (TX-55). “Both the non-capital loss and the net capital loss carryovers balance will significantly increase” (TX-55). Other technical matters include the impact of the pandemic on investments such as those in RRIF (Registered Retirement Income Funds), RRSP (Registered Retirement Savings Plans) and TFSA (Tax Free Savings Accounts). If people’s incomes or investment returns are reduced during the pandemic, what are the implications for their savings plans and retirement income? As a partial response the government decided to reduce mandatory minimum withdrawals from RRIFs in 2020 (CRA, 2020).

### **Impacts on Governments and the Canada Revenue Agency (CRA)**

Students identified impacts resulting from COVID-19 on governments and the Canada Revenue Agency (CRA). We have grouped their observations under the sub-headings of public finance, support delivery and tax policy. Governments (federal, provincial) and their agencies are key groups dealing with COVID-19. Regarding tax and benefit matters, special attention has been focused on the Canada Revenue Agency (CRA) to deal with COVID-19. A number of urgent challenges are emerging: “It will be very interesting to see how the CRA and Canadian government solve all these new issues ...” (TX-38).

#### ***Public Finance***

Adopting a broader perspective than just tax compliance and tax planning, concerns related to public finance are also of interest to students. Broad economic concerns (even worries) related to the medium- to long-term consequences of the pandemic were expressed by taxation students. “Overall, the COVID-19 pandemic has caused a lot of distress and required swift handling of the situation. The only problem with swift handling is that there is often not enough time to fully evaluate the long-term effects that will result” (TX-62). “The real consequences of this pandemic are truly unknown to even the most experienced of analysts and will arise over the next several years as we see business, politics and societal norms transform in ways we never thought possible” (TX-

47). Students also noted that many taxpayers' will have lost their jobs (temporarily or permanently), which will impact tax revenues now and in the future for the government. "... it will be hard for the government to predict how much tax revenue they will be able to collect" (TX-03). In addition, referring to government support programs, students anticipated seeing additional pressures on government resources with increased pandemic-related spending, suggesting "... it is inevitable that all those payments will increase Canada's debt" (TX-25). Taking increased expenditures and reduced tax revenues together, students anticipated challenges predicting future tax revenues, delivering timely budgets, and managing expenditures. Thus, there will be a need to raise taxes or cut expenses to control the deficit. "With all this money being distributed the government will either raise taxes or cut their spending" (TX-14).

"For government, the big issue is how to pay for it all" (TX-05). The taxation students raised questions such as how tax rates or tax brackets may need to be adjusted to cover the costs of COVID-19 related government support programs, how goods and services tax rates may need to be increased, and/or program spending may need to be reduced. "There is likely going to be a reckoning where either taxes will need to be raised or spending cut. If taxes need to be raised, government could look to new types of taxes to raise or simply increase taxation rates for [the] current slate of taxes" (TX-05).

The decline in tax revenues collected, and the increase in public expenses to support individuals and organizations during the pandemic, has led to an increase in public debt and "... will leave the government in a great deficit" (TX-23). "This could result in a change to the tax system and have an effect on other services and benefits in the future" (TX-61). This may impact other government programs and raise expectations for government responsiveness in other areas as well: "The Canadian government response to the COVID-19 has been swift; a speed of response that has raised questions about why governments can't respond with such speed to other issues, be they climate change, racial justice or other reforms" (TX-18).

Not only have government expenditures in 2020 been significant, there will be ongoing requirements for additional oversight from governments and resources will need to be allocated to monitoring and auditing taxpayers' benefits arising from the various programs and deductions. These requirements raised some concerns over how – and by whom – would these costs be covered. "On the corporate side, I wonder how the government will act towards businesses. Will the tax rates be adjusted to help pay back some of the country's new debt? [...] Will we see the birth of a COVID tax on our purchases (added like the GST/HST)?" (TX-16).

### ***Support delivery***

The CRA is at the centre of delivering many support measures and may see an increase in the volume of its work, both now and in the future. The government will have to decide on, possibly, changing a number of CRA interpretations, for example on home office expenses, to be more flexible in 2020 and later years. An additional example, as noted by TX-60, is "The CRA has published the 'Guidance on international income tax issues raised by the COVID-19 crisis....' Another student noted "...the government will have to

be proactive in managing the different initiatives and guidelines, this will require additional government resources/spending and oversight” (TX-02).

CRA has had to adapt to greater interest in online tax filing, particularly for personal income tax returns, and has had to adapt by transforming their services: “CRA has announced that their community organizations will be hosting free virtual tax clinics through the Community Volunteer Income Tax Program (CVITP)” (TX-11). The increased demand for CRA services led one student to suggest: “... the presumption is that CRA will not be able to keep up with auditing every tax return without substantial costs, but that choice is up to CRA’s discretion” (TX-66). In other words, CRA cannot do everything it was doing pre-pandemic and all of the additional work required of it without additional resources.

Canadians saw large sums of money spent “to help both individuals and business weather the storm” (Rinaldi and Zarum, 2020: 10). With the ease of access to support programs, a risk of fraud may be present regarding government programs. “... CRA will need to make sure they are applying a consistent and fair approach on how they handle the tax repercussions of COVID-19” (TX-41). “Due to these various benefits and the large increase of individuals claiming Employment Insurance, confirming taxable income will be very complicated this year, especially considering that when these benefits were first offered people did not know what to apply for [therefore they] may have received multiple benefits they are not truly eligible for. This will require much more work for the government and Canada Revenue Agency in particular” (TX-26). In addition, “tax audits will become ever more complicated as the entire conversation might be a sensitive one as we would be judging if one was truly impacted by COVID-19” (TX-24).

### ***Tax Policy***

Some student comments on the impact of COVID-19 on the tax system challenged the fundamentals of the current tax systems. They observed the pandemic may be an opportunity to simplify and adapt the *Income Tax Act* to the new work environment. Ball (2021) also suggested changes in tax policy and in simplifying the tax system. Such changes may bring a revision of income tax rates both for individuals, corporations or the Goods and Services Tax/Harmonized Sales Tax (GST/HST). One student noted they expected the government to “increase sales tax [...] raise tax rates” (TX-56). Others wondered whether the pandemic may be an opportunity to tax wealthy citizens (the 1% more and revise the tax system. “On the individual side, will the government finally review its tax rates and opt to tax more of the 1%? It would be the right time for the rich to help out the country while it is in need!” (TX-16). Many students indicated the pandemic will likely lead to long-term changes in tax policy. “We are expecting many changes in tax policies and administration these coming years ...” (TX-69) and the pandemic “... will have a profound impact on the tax policies in the future years.” (TX-29)

Student comments in regard to possible tax policy changes are aligned with St-Jean (2021: 6), who offered the following comments: “policy-makers must be looking ahead to the medium-term by adopting fiscal anchor policies that will limit debt-financing and instill business confidence”; “... CPA Canada has called on the federal government to

align its budget and plans with the needs of an economy that requires so much rebuilding”; and there is a “need to modernize tax policies”. Ball (2021: 15) also suggests that “government should review the tax rules for remote work expenses to make sure the current rules are fair and without undue complexity” with a special attention to “owners versus renters”; and simplify the whole process of home office deduction for employees, employers and the government itself.

Other students identified potential long-term consequences related to various tax policy options for individuals and governments. For example, individuals’ RRSP contribution rooms might be lower than usual if their earned income was reduced during the pandemic. This might reduce their ability to save for their retirement and may lead to reduced income in retirement and greater reliance on government-supported retirement programs.

### **Impacts on CPA firms and Tax Advisors**

Students identified a range of impacts on CPA firms and tax advisors. We have grouped their comments under the sub-headings tax work and continuing professional education.

#### ***Tax work***

“COVID-19 has impacted both businesses and individuals as we have been forced to quickly change our operations and day-to-day lives” (TX-22) as tax practitioners. Students noted the nature of work of tax advisors, or at least the manner it is delivered, will probably change. “Tax advisors will need to be much more weary [wary] and make forward looking decisions ...” (TX-24). Further, “careful attention is needed from tax professionals regarding future tax return filing as they involve many changes” (TX-69) and “... will require extensive judgement on the tax professional’s end” (TX-48). In particular, one student noted it will be more difficult to exercise professional scepticism virtually: “Tax services are now delivered far less in-person, making it more difficult for tax professionals to exercise professional scepticism when assessing whether clients’ tax claims and filings are reasonable. Suspiciously sumptuous offices and sweaty handshakes will no longer be as easily noted by tax professionals as they may [have] been before” (TX-20).

Since many students are working in CPA firms (with a break for the study period) and see themselves as advisors and potential tax advisors, a number of their comments related to the fact that firms need to adapt by providing less in-person advice and instead switch to using online communication and videoconferencing calls to keep in contact with their clients. “Many professionals have been forced to work from home, therefore, requiring new video conferencing tools and new ways of meeting with clients” (TX-23). It is important to keep good relationships with their clients. Some clients may face bankruptcy. “The outbreak of the COVID-19 pandemic had a huge impact on my work as an auditor for a public accounting firm. Not only did it force all employees at my firm to work remotely but also it severely hindered the operations and work of the companies and individuals for whom we provide our assurance and tax services” (TX-65).

Students identified that the extended deadlines for tax filing and payments would be beneficial for taxpayers in the short-term, yet this would have consequences for tax

practitioners as this significantly extended their busy season and may have impacted their ability to perform other non-tax work. “Finally, the extended tax filing and payment deadlines may have a positive impact on many people who have trouble meeting these deadlines in general. I was personally closing a house at the end of April and was very busy balancing work, school, and family life ...” (TX-04). There have also been impacts on the nature and timing of tax work itself: “... the extension of deadlines has made the work life [balance] in accounting extremely difficult. Here, at my work, it feels like tax season will stretch till September. Although the extension has benefited those who owe money, it has made it quite difficult at work as [a] majority of tax clients have been holding off filing their returns (even those who are set to receive refunds!)” (TX-10). However, these filing extensions resulted in unexpected benefits, at least for tax practitioners at more senior levels. Partners in an accounting firm indicated that “when the government extended the tax deadline, our evenings in April suddenly opened up” and they were happy about it (Yu, 2021: 24).

In the short-term, for tax practitioners, it was anticipated that professional accountants’ may be called upon to provide additional services to support clients in developing contingency plans or supporting clients forced to close their businesses or seek bankruptcy protection, and it happens (O’Grady, 2020). The challenges of providing these additional services, however, will be compounded by the fact that working remotely and delivering services virtually are more time consuming and that maintaining client relationships are more difficult at a distance. There may be cash flow implications for tax work as well, with O’Grady (2020: 38) noting “special pricing and deferred payment plans for some clients [may be required] to help them weather the storm”.

Accounting firms are acknowledged to have been agile and fast to have people “up and running from home” (Yu, 2021: 23; Boddy *et al.*, 2020). Technology and electronic resources, including electronic copies of documents, have allowed advisors to keep up-to-date on a daily basis with all the measures announced by governments (CFFP, 2020-2021). “Video call tools are being used to organize meetings with clients to ensure that online communication remains as close to its in-person equivalent as possible” (TX-20). However, similar to assurance students’ concerns, this is not without challenges, such as frequent meetings, data security and bandwidth limitations.

### ***Continuing professional education***

“With new government programs and legislative changes being announced extremely frequently during the pandemic, it’s more important than ever for tax professionals to stay up to date with changes in legislation and to employ judgement for recommendations made to clients based on incomplete information” (TX-20). The impact of all these changes is that continuing professional education is required now more than ever for tax practitioners, and at a faster pace. According to one student, “From personal experience, I worked with a tax professional that used their firm’s resources and government websites to remain current, to the day, with the government’s host of programs” (TX-20). Other students observed that “... tax professionals will need to follow new developments closely to continue to provide the best tax advice to clients” (TX-38); and this has implications for the firms themselves and the allocation of their resources: “... the firms

are spending a significant amount of time staying up-to-date with new information from the Government via frequent internal meetings” (TX-27).

### **Impacts on the Accounting Profession**

The impact of COVID-19 on the accounting/taxation profession was not a focus of many tax student comments. It may be because it is too early in the socialization process for these first-year graduate students to think of the implications for the profession overall (Durocher, Bujaki, and Brouard, 2016). However, one student comment reflected a broad professional perspective: “When it comes to the profession’s response to it all, I believe that as CPAs, we will now have to focus on damage control and business/tax planning in case of further pandemic situations” (TX-16). Students identified some limited impacts on the accounting profession, specifically in the areas of pre-certification education and tax literacy.

### ***Pre-certification Education***

In the COVID-19 context, pre-certification education revolves around remote learning with university decisions following the evolving context, and has some impact on the students themselves. “Working from home has been nice but I find online learning more difficult than in the classroom” (TX-01). In addition to the challenges of learning remotely, students are also incurring additional expenses: “With online classes from home, they [students] too are incurring internet expenses, electricity, rent or mortgage on a home, and supplies such as printer ink. Is it fair that they are not able to deduct those expenses simply because they do not have an employer to earn employment income?” (TX-41). This suggests that some additional tax relief for students may be demanded in future. Surprisingly, immediate Common Final Examination (CFE) related issues regarding COVID-19 were not noted by students, compared to the profession (Amad, 2021; Brouard, 2020; St-Jean, 2020).

### ***Tax Literacy***

The pandemic also brings the issue of tax literacy to the forefront, especially with the number of new measures introduced or expected. “As someone currently enrolled in an advanced taxation course, I was living and breathing tax. In contrast, it is quite possible that this poor woman who lost her job knew nothing of taxes – not about tax brackets or marginal rates or anything of the sort. If she was like most employed Canadians, she had a certain amount withheld from her pay every month for tax. [...] How was she supposed to know about the tax consequences of these benefits? And what about the many scores of Canadians who, unlike this woman, had neglected to even consider the tax consequences and will be in for a nasty surprise come April 2021?” (TX-28). The targeted interest relief measure for individuals announced by CRA (2021) allowing delay of income tax debt until April 30, 2022 may only postpone the problem.

This raises questions about how changes in tax rules and their implications can be communicated effectively to all Canadian taxpayers. Thus, there will be a need for expanded educational and media campaigns to inform taxpayers of significant changes to how their 2020 (and future) tax returns may need to be prepared. Some effort has been made by CRA toward this goal. This is especially important as many of the rules are exceptions in special circumstances and the rules have changed rapidly, even for someone

working in taxation (CFPP, 2020-2021) and used to it. As a result, in addition to government communications, tax advisors will have to prepare notes or bulletins to educate their clients.

## INSIGHTS AND CONCLUSION

The objective of this commentary was to reflect on the impact of COVID-19 on the practice and practitioners of assurance and taxation from the perspectives of prospective professional accountants in a graduate accounting program leading to the CPA designation.

This commentary identifies many challenges arising from COVID-19 that impact businesses, accounting estimates, and specific accounts. In addition, challenges for performing assurance engagements during the pandemic are identified, particularly those relating to internal control practices and assessments, the role of technology, additional factors to be considered in risk assessments, and issues interacting and communicating effectively with clients. Finally, impacts on assurance firms and assurance providers are also noted, including challenges completing engagements efficiently and supporting staff members. Not all impacts of the pandemic are necessarily negative, however, and several opportunities for innovation and creativity, particularly in technical areas, professional practice guidance, and ways to demonstrate value to existing clients, were identified.

This commentary identifies many tax-related challenges arising from COVID-19 that impact various groups, such as individual taxpayers, organizations, governments, the Canada Revenue Agency (CRA), CPA firms, tax advisors and the accounting profession. Student comments on taxation and COVID-19 identified a number of challenges and concerns, namely those related to: adapting to the new context, tax compliance, tax planning, public finance, support delivery, tax policy, tax work, continuing professional education, pre-certification education, and tax literacy. The students identified both positive and negative impacts on taxation in the short-, medium- and long-term.

As educators and long-time members of the accounting profession, we were impressed by the breadth and depth of insights demonstrated by students preparing to join the profession. Though students were asked to write only 250 – 300-word reflections, their observations, both individually and collectively, demonstrated a good understanding of the implications, and opportunities, of the pandemic on assurance and taxation. Among the numerous dimensions to consider in responding to crises are human, social, emotional, technological, organizational, financial, and economic aspects (Pearson and Mitroff, 1993). Students' comments addressed each of these dimensions.

This reflective exercise provided a compelling demonstration of the benefits of seeking out a diversity of perspectives on an issue, as this leads to creative and innovative insights. Each student's reflection may have only touched on one or two themes, but collectively the reflections of 124 Master of Accounting students captured a wide range of concerns and possible actions. Though many of the students have relatively limited professional work experience, we noted several of their comments reflected concern for



social justice and how the pandemic was impacting society. We believe this bodes well for a profession focused on the public interest.

Considering the range of insights offered, a number of avenues for future research look promising and numerous research projects have been adapted to incorporate new variables related to COVID-19 already. The COVID-19 pandemic resulted in disruption and uncertainties in personal, professional and organizational contexts. The accounting field is not an exception, not only in assurance and taxation, but also with respect to all other CPA competencies. We suggest future research directions in each of the following areas: the study of professionals, of professional work, and education.

First, the pandemic is a good time to study professionals (Hoff, 2021). Topics for future research in this area could include the impact of the pandemic on: professionals' physical and mental health; changing values and priorities; work-life balance; boundaries between work, family and personal life; coping strategies; isolation; changing identities; career trajectories; job satisfaction; personal satisfaction; the psychological contract between employees and employers; productivity; socialization; and networking during and following the pandemic. Studies from the Healthy Professional Work Partnership (2021), which include a focus on the mental health of professional workers, including accountants, is a good example of research on professionals.

Second, the study of professional work, not only in an accounting setting, but also in other management contexts, may be furthered based on the changes taking place during a pandemic (Hoff, 2021). Many aspects of the new work environment and context can be examined (O'Grady, 2020; Yu, 2021), such as: workloads; team work; working hours (traditional vs non-traditional, flexible); physical workplaces (traditional vs remote and home offices); return to in-person work strategies (Tanner, 2020); new ways to perform professional work; and the emergence of new virtual firms. Examples of new models of virtual firms given by LiveCA, ConnectCPA and XenAccounting (O'Grady, 2020), may be interesting models to examine, adapt, and adopt (or not). In addition, adaptations by more traditional CPA firms, the emergence of new services, and the evolution of professional-client relationships (Hoff, 2021) all merit research attention.

Additional research topics addressing specific issues related to all CPA Canada (2018) professional competencies can be proposed. CPA professional competencies address: financial reporting; strategy and governance; management accounting, audit and assurance; finance; taxation; and data analytics and information systems. For example, research in assurance related to COVID-19 could examine: innovative assurance practices, use of technology, quality of work, developments in internal control, and risk assessment processes. Examples in taxation could focus on the impact of COVID-19 on: tax compliance, tax planning, public finance, tax literacy, and personal financial planning. Similar research topics can be proposed in each of the other competency areas.

Third, as academics, we recognize the education ecosystem has seen a lot of disruption during the pandemic. A number of areas could benefit from future research. Based on a framework developed by Williams, Tiller, Herring, and Schener (1988: 4) for developing accounting education research, the following broad areas can be examined in the context

of COVID-19: students (their attitudes, beliefs, academic achievement), the educational process (testing, grading, teaching methods, learning), faculty (performance, development), and administration (administrative structure, continuing professional education).

The Canadian accounting profession has signaled the importance of foresight in identifying the way forward for the profession (CPA Canada, 2019a). Our graduate students offered well-rounded and detailed insights into technical, organizational, and societal challenges arising from the pandemic. The students are well-positioned to respond to challenges the profession will face in the future. Their creativity leaves us feeling optimistic that the future of the profession is in good hands and that they will be capable of “Transforming insight into action” (CPA Canada, 2019a) as leaders in their organizations and in society.

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**TABLE 1**

Instructions to students for their reflections on COVID-19

In this discussion post, reflect on some of the challenges you believe the COVID-19 pandemic poses in (assurance / taxation) and indicate how you think the profession is adapting to meet these challenges.
Your reflection can be based on what you have experienced recently in your own work, on publications or it can be a commentary based upon your understanding of what needs to be done in (assurance / taxation) and your sense of some of the challenges likely to be faced.
Write a couple of paragraphs - about 250 - 300 words.
Publish your discussion post (under discussion forum (first block))

**TABLE 2**

Demographic profile of participants

Course	Assurance	Taxation	Total
Enrolment status	full-time	full-time and part-time	
Number of sections	2 sections	3 sections	
Year of MAcc program	(second year)	(first year)	
Number of participants	54	70	124
Men (%)	22 (41%)	41 (59%)	63 (51%)
Women (%)	32 (59%)	29 (41%)	61 (49%)
Work experience			
- before the pandemic	54 (100%)	70 (100%)	124 (100%)
- during the pandemic	54 (100%)	36 (51%)	90 (73%)
- in assurance	44 (81%)	37 (53%)	81 (65%)
- in taxation	5 (9%)	19 (27%)	24 (19%)

**TABLE 3**

Structure of themes on assurance

<i>Accounting-Related Impacts</i>	<i>Impacts on Assurance Engagements</i>	<i>Impacts on Interactions with clients</i>	<i>Impacts on Assurance Firms</i>
<ul style="list-style-type: none"> <li>- Adverse impacts on business</li> <li>- Management's estimates and assessments</li> <li>- Accounting challenges</li> </ul>	<ul style="list-style-type: none"> <li>- Internal control</li> <li>- Technology</li> <li>- Risk assessment and planning</li> <li>- Challenges with observation</li> <li>- Additional challenges and consequences</li> </ul>	<ul style="list-style-type: none"> <li>- Working with clients remotely</li> <li>- Communicating with clients</li> <li>- Confidentiality</li> </ul>	<ul style="list-style-type: none"> <li>- Professional work processes</li> <li>- Professional workers and personnel matters</li> <li>- Innovation and Creativity</li> </ul>

**TABLE 4**

Structure of themes on taxation

<i>Impacts on Individual Taxpayers and on Organizations</i>	<i>Impacts on Governments and the Canada Revenue Agency</i>	<i>Impacts on CPA Firms and Tax Advisors</i>	<i>Impacts on Accounting Profession</i>
<ul style="list-style-type: none"> <li>- New context</li> <li>- Tax compliance</li> <li>- Tax planning</li> </ul>	<ul style="list-style-type: none"> <li>- Public finance</li> <li>- Support delivery</li> <li>- Tax policy</li> </ul>	<ul style="list-style-type: none"> <li>- Tax work</li> <li>- Continuing professional education</li> </ul>	<ul style="list-style-type: none"> <li>- Pre-certification Education</li> <li>- Tax literacy</li> </ul>