

المجمع الدولي لعشبي للمحاسبين القانونيين

The International Arab Society of Certified Accountants (IASCA)

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YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS



Dr. Talal Abu-Ghazaleh: Is the Accounting Profession About to Vanish?

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IN THIS ISSUE:-



1 Dr. Talal Abu-Ghazaleh:
Is the Accounting
Profession About to
Vanish?



5 European Commission,
EFRAG and ISSB confirm
high degree of climate-
disclosure alignment



2 IASCA Concludes ‘Live
Interactive Broadcast’
Training Courses



6 Summary of the IASB’s
Tentative Decisions on the
Equity Method Project



3 IASCA Holds IFRS
Expert Examination and
Announces the Results



7 IFRS Foundation publishes
comparison of IFRS S2 with the
TCFD Recommendations



4 Evaluation of Controls



8 IFAC Calls on G20 Leaders
to Lead on Sustainable and
Inclusive Growth; Highlights
Enabling Role of Accountancy
Profession

In 'Dakika Jedan' Program on Noskhabar Digital Platform **Dr. Talal Abu-Ghazaleh: Is the Accounting Profession About to Vanish?**

AMMAN- I take this opportunity to confidently state that for four decades or more, I have been studying as a student this global historical transformation which I call the knowledge revolution: the digital transformation revolution. In any country, all the organizations must be involved in digital transformation, otherwise the country will vanish. As Secretary General of the League of Arab States, my dear friend Dr. Aboul Gheit has previously stated, "Arabs have two options, either to embrace digital transformation or face extinction".

This means that we do not have any choice, nobody wants to vanish. We want transformation, change, development, and innovation through knowledge revolution. Accounting plays a crucial role in the global economy. It is a tool for decision-making, so definitely it will be subject to change. I emphasize that external accounting or what is known as auditing or professional



accounting, in addition to the internal accounting procedures, will also be subject to change. Professional accountants will be only responsible for the technical direction of the software that will be used as an external auditor. We are currently working on developing a software to be used globally as a personal auditor. The software can accommodate all the knowledge of an auditor, making the auditor a technical director only.

IASCA Concludes 'Live Interactive Broadcast' Training Courses

AMMAN - The Arab Society of Certified Accountants (Jordan) held several training courses in August 2023.

Preparation Course for Jordanian Certified Public Accountant (JCPA)

During the training course, the subjects scheduled in the 'Laws and Legislations' paper were discussed and explained. The paper addresses specialized topics such as: Income and Sales Tax Law, Companies Law, the Accountancy Profession Law, the Securities and Banking Law, Regulation of Insurance and Finance Lease, Anti-Money Laundering and Accounting Law.

Regarding the Accounting and Auditing paper, some topics were tackled such as the International Accounting Standards (IASs) and Financial Reporting, Costs Accounting, Managerial Accounting and Budgets, Financial and Dividends' Accounting. In



order to enable the participants to sit the exam and pass it easily, some practical applications on model answers of previous years' exam were also addressed in the training course.

Lectures were given by a group of professional and specialized trainers as well as some faculty members from the Arab universities with extensive experience in auditing, accounting and the related disciplines.



Preparation Course for IACPA

During the course, the International Arab Certified Public Accountant (IACPA) subjects and curriculum were discussed including the following topics:-

- Economics and Finance (introduction to economics, product behaviour and market structures, macroeconomics...etc.)
- Accounting (presentation of financial statements, income items, statements of cash flows, leases, equity rights...etc.)
- Auditing (risk assessment and response, design and implementation of audit programs, evaluation of evidence, provision of review services...)
- Legislations (taxes, business and commercial law, corporate governance...etc.)
- The curriculum of the IACPA was developed

in line with the international certified qualification curricula in accounting and auditing. The curriculum was also designed to fulfil the requirements of the labor market according to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS).

It is worth noting that the participants in the digital training courses provided by ASCA can attend the courses whenever they prefer through the recordings enabled by the system of the digital courses. Moreover, participants can ask questions which will be answered by the best experts in the Arab world, in order to attain the required results. At the end of the courses, participants can obtain electronic certificates of attendance.

IASCA Holds IFRS Expert Examination and Announces the Results

AMMAN - The International Arab Society of Certified Accountants (IASCA) held the International Financial Reporting Standards (IFRS) Expert Examination for August 2023 session. It consisted of two sessions, the first for subjective questions, and the second for essay questions.

A large number of students sat for the exam from around the Arab region.

IFRS Expert Examination aims to build and develop the necessary knowledge capabilities related to the understanding of the theoretical and conceptual aspects of the IFRS; develop the ability to professionally apply them in the practical accounting, assist in the ongoing professional development in the field of IFRS and follow up on their amendments and updates.



It also targets accountants and financial managers who are responsible for the preparation of financial reports, auditors, investment and banking sectors staff, in addition to lecturers specialized in the field of the International Financial Reporting Standards.

The results will be announced through IASCA's [website: http://iascasociety.org](http://iascasociety.org)



Evaluation of Controls

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Evaluation of Controls in the International Professional Practices Framework

The International Professional Practices Framework (IPPF), promulgated by the Institute of Internal Auditors, details the role of internal auditing ⁽¹⁾ in evaluating the controls in all automated and manual processes, activities, and systems which altogether form the internal control system in an organization.⁽²⁾ The internal audit activity may evaluate the controls either through assurance engagements or consulting engagements. In this article, I will present what the IPPF stated regarding internal controls auditing. This content will be helpful for auditors to provide added value to their work in this regard.

I: Internal Audit Role in the Evaluation of Controls

The IPPF standard No. 2021 - Planning Considerations, stipulates that in planning the engagement, internal auditors must consider:

- *The adequacy and effectiveness of control processes compared to a relevant framework or model;*
- *The opportunities for making significant improvements to the control processes.*

Moreover, the IPPF standard No 2130 - Controls, stipulates that *the internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.* Standard No 2130.A1 ⁽³⁾ states that *the internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations and information systems regarding the achievement of the organization's strategic objectives, reliability and integrity of*

financial and operational information, effectiveness and efficiency of operations and programs, safeguarding of assets, compliance with laws, regulations, policies, procedures, and contracts.



The IPPF standard No 2130.C1 ⁽⁴⁾, stipulates that Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes.

II: The Most Significant Considerations in the Evaluation of Controls

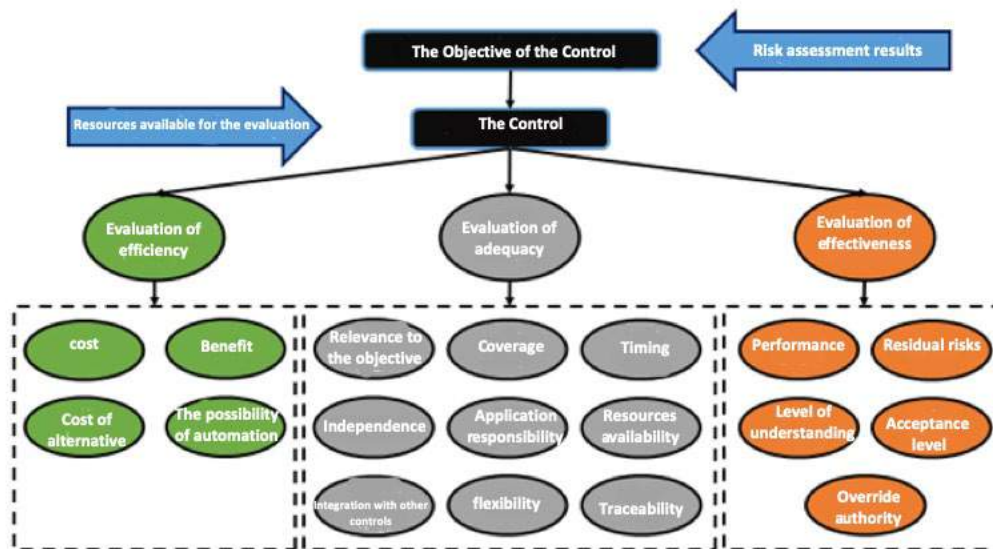
The implementation guidance states that internal auditors must:

1. Have a clear understanding of the control concept and the characteristic of model control processes;
2. Discuss with the senior management and the board to define the risk appetite ⁽⁵⁾, tolerance, and culture in the organization.
3. Understand the critical risks that may hinder the organization's ability to achieve its goals, and understand the nature of controls implemented to mitigate the risks and reduce them to an acceptable level.
4. Obtain an accurate understanding of the control frameworks that are formally or informally approved by the organization as well as the internationally accepted comprehensive control frameworks such as the internal control framework, the integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ⁽⁶⁾.
5. Understand the responsibilities relevant to the maintenance of effective controls;
6. Consult the legal department of the organization, the compliance officer, or other relevant parties about the laws and regulations to which the organization must comply. It is important to understand how to keep the organization updated with the changes in the regulatory requirements to ensure compliance.

1 The word "activity" was used because an independent unit or department within the organization, by an external party through (outsourcing), or a combination of both may provide internal auditing services.

2 The IIA defines controls as any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved

3 An implementation standard for assurance engagements.



In addition, the implementation guidance includes some points the internal audit activity may implement to enhance the control effectiveness in the organization:

1. Preparation of a comprehensive evaluation of the organization's controls;
2. Recommending the application of a control framework if the organization doesn't apply a framework;
3. Recommending steps to enhance the control environment (for example, the senior management's approach (the tone at the top) to enhance ethical conduct and intolerance to non-compliance);
4. Providing the needed training on controls and ongoing self-monitoring;
5. For the management of the organization, facilitating holding sessions for self-monitoring of controls (or risks and controls);
6. Helping the management in establishing a logical structure to document, analyze, and evaluate the organization's design of the control processes;
7. Helping in developing a process to define, evaluate, and address the defects in controls;
8. Helping the management in keeping pace with the recent issues, laws, and regulations relevant to controls; and

9. Being updated with the technological advances that may help in monitoring the efficiency and effectiveness of controls.

Based on the above, the internal audit role in the evaluation of controls mainly focuses on the controls' effectiveness⁽⁷⁾, efficiency⁽⁸⁾, and adequacy⁽⁹⁾.

How to Evaluate the Controls?

The following diagram shows the most prominent points that should be considered in evaluating the effectiveness, efficiency, and adequacy of a control:

The following are examples of the points stated in the above diagram:

1. Automated controls are more efficient than manual controls;
2. Simple controls (for example, those that require one procedure or a single calculation) is more efficient and effective than complex controls (for example, those that require many procedures or calculations);
3. The control that is implemented by an expert employee is more efficient than that implemented by an employee with low experience;

4 An implementation standard for consulting engagements.

5 The IIA defines the risk appetite as the level of risk an organization is willing to take.

6 In the internal control framework - the integrated framework, promulgated by COSO, "the organization's compliance with the applicable laws and regulations and the compliance of all the staff of the organization with all the regulations, systems, and policies approved by the highest governance body in the organization" is considered as one of the three internal control objectives. Furthermore, the compliance and other internal control activities in the framework are considered as one of the five elements of the framework (monitoring activities).

4. A preventive control is more adequate than a detective control;
5. A control over each process is more adequate than a control over a sample of processes;
6. The control accompanying the processes or the entry is more adequate and efficient than the control subsequent to the process or entry;
7. The control that is implemented by an employee other than the one responsible for the process is more efficient than the control implemented by the employee responsible for the process;
8. The control that is implemented by an employee from another department is more efficient than the control implemented by an employee, other than the one responsible for the process, from the same department;

The Controls location in the Risk Response Strategies

In the risk management processes, the organization responds to risks, specifically the adverse risks (threats) through 4 strategies that should be implemented consecutively to attain an acceptable level of risk. These strategies are:

1. **Avoidance:** This strategy includes the following alternatives, for example: Divest, prohibit, stop, target, screen for alternatives, eliminate, etc.
2. **Reduction:** This strategy includes the following alternatives, for example: Control, disperse, isolate, test, relocate, redesign, diversity, etc.
3. **Transfer:** This strategy includes the following alternatives, for example: Insure, reinsure, hedge, securitize, outsource, indemnify, etc.
4. **Acceptance:** This strategy includes the following alternatives, for example: Self-insure, retain, offset, reprice, etc.

Based on the above, controls are similar

regarding risk response strategies. This strategy is not the only or preferred in mitigating adverse threats by reducing the possibility of occurrence and/or implications.

Conclusion

The IIA defines controls as the actions taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Since controls are associated with risks, and risks by their very nature are dynamic, I believe that controls should be regularly revised and updated to respond to the changes in the external and internal environment of an organization.

While internal control may be executed by specific individuals, it is the responsibility of every member of the organization to ensure its implementation. However, the ultimate responsibility for controls lies with the board and senior management. A good internal control system is geared towards reaching the goals of the organization on multiple levels. It should be seen as a method of achieving a specific objective, rather than an end in itself.

Finally, internal control systems should focus on achieving the objectives of the organization at multiple levels. Internal control is a process that consists of various tasks and overlapped activities. It is a method of achieving a specific objective, rather than an end in itself. Internal control systems should have the “appropriate” amount of flexibility. If the system is too rigid, it may not be cost-effective or efficient. On the other hand, if the system is too flexible, it could lead to increased internal control risks. Therefore, it is crucial to strike the right balance between flexibility and control. The internal control system should be compatible with the organizational structure.

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- 7 An effective control is a control that successfully accomplish its intended purpose of minimizing potential threats and their implications. To determine the effectiveness of a control, factors such as its impact on mitigating inherent risks, the level of management’s comprehension and recognition of the control’s significance, and any other factors that may impact its effectiveness are all evaluated.
 - 8 An efficient control is a control that uses the minimum amount of resources without affecting the effectiveness of its intended purpose. To evaluate the efficiency of a control, for example, a cost-benefit analysis is conducted of the control, the alternatives, and other issues that may affect the efficiency of the control.
 - 9 An adequate control is a control that exists in its adequate location in a process or system. It is the control adopted by the competent person in the adequate timing and location with the adequate form, coverage, flexibility, and other issues that may affect the adequacy of the control.



European Commission, EFRAG and ISSB confirm high degree of climate-disclosure alignment

LONDON- The European Commission issued the European Sustainability Reporting Standards (ESRS) which will come into effect in 2024.

To coincide with the publication, the European Commission, European Financial Reporting Advisory Group (EFRAG) and the International Sustainability Standards Board (ISSB) are providing an update on their discussions around alignment and interoperability between ESRS and the ISSB Standards.

The European Commission, EFRAG and the ISSB have worked jointly to improve the interoperability of their respective climate-related disclosure requirements in the overlapping climate disclosure standards. This work has successfully led to a very high degree of alignment, reduced complexity and duplication for entities wishing to apply both the ISSB Standards and ESRS.

ESRS and ISSB Standards have been developed within their respective mandates, with some differences on impact materiality beyond an investor's perspective and coverage of the range of ESG matters in separate standards. However, the work undertaken on interoperability enables an entity to efficiently apply both sets of climate-related standards with minimised duplication of effort.

To assist entities who will apply both ESRS and the ISSB Standards, the European Commission together with EFRAG and the ISSB will work on interoperability guidance material that could assist entities in navigating between the standards and to understand where there are incremental disclosures required by only one set of standards.

The European Commission together with EFRAG and the ISSB will continue to work jointly to optimize the interoperability of



their respective standards. In addition to the publication of guidance material to assist entities to navigate between the standards, the joint work will focus on the digital tagging of disclosures as a means of further facilitating interoperability.

Emmanuel Faber, ISSB Chair said:

I congratulate my European colleagues on the publication of the European Sustainability Reporting Standards. Furthermore, I thank them for the positive collaboration to achieve the very high degree of alignment between climate requirements in the ISSB Standards and ESRS.

Much progress has been achieved. We have substantially advanced the reduction of the duplicative disclosure burden, reflecting our respective mandates. Those applying ISSB Standards as well as ESRS will be able to use our navigation tool.

We welcome the publication by EFRAG of a proposed table for their own work, which we have yet to review. We will complete our own analysis of the final ESRS and continue to work closely with the European Commission and EFRAG to develop suitable interoperability guidance material, providing clarity to the market as soon as practicable.

The ISSB was called upon to deliver consistent and comparable sustainability-related financial disclosures for investor decision-making. The recent strong progress towards interoperability with ESRS and IOSCO's endorsement of the ISSB Standards demonstrates the continued international support for this vision and its implementation.

[Source: www.ifrs.org](http://www.ifrs.org)



Summary of the IASB's Tentative Decisions on the Equity Method Project



Current stage

The International Accounting Standards Board (IASB) concluded discussions on application questions, about the equity method as set out in IAS 28 Investments in Associates and Joint Ventures, for investments in associates. The IASB will continue its discussions on the project, including on the implications of applying its tentative decisions to investments other than those in associates accounted for using the equity method.

Read a summary of the IASB's tentative decisions on application questions.

At its April 2023 meeting, the IASB decided to move the Equity Method research project to its standard-setting work plan, work towards publishing an exposure draft as the next due process step and continue to use the expertise of its advisory bodies instead of establishing a consultative group.

Also the IASB met on July 26, 2023 to continue its discussions on application questions within the scope of the Equity Method project.

Towards an exposure draft—Impairment of investments in associates (Agenda Paper 13A)

The IASB tentatively decided to propose amendments to IAS 28 Investments in Associates and Joint Ventures:

- a. to change the term 'cost' to 'carrying amount' in paragraph 41C of IAS 28. All 14 IASB members agreed with this decision.
- b. to add as objective evidence of impairment a purchase price an investor pays for an additional interest in an associate, or a selling price for part of the interest, that is lower than the carrying amount of the investment in the associate at the date of the purchase or sale of that interest.
- c. All 14 IASB members agreed with this decision.
- d. to remove the term 'significant or prolonged'.

Twelve of 14 IASB members agreed with this decision.

Towards an exposure draft—Implications of applying the IASB's tentative decisions to application questions that were not selected (Agenda Paper 13B)

The IASB decided to expand the project's scope by adding five application questions that are considered resolved by its tentative decisions made to date.

All 14 IASB members agreed with this decision.

Source: www.ifrs.org



IFRS Foundation publishes comparison of IFRS S2 with the TCFD Recommendations

LONDON - Following the Financial Stability Board's [announcement](#) that the work of the Task force on Climate-related Financial Disclosures (TCFD) has been completed—with the ISSB Standards [marking the 'culmination of the work of the TCFD'](#)—the IFRS Foundation [published a comparison of the requirements](#) in IFRS S2 Climate-related Disclosures and the TCFD recommendations.

The requirements in IFRS S2 are consistent with the four core recommendations and eleven recommended disclosures published by the TCFD.

As demonstrated in this comparison, companies that apply the ISSB Standards will meet the TCFD recommendations and so do not need to apply the TCFD recommendations in addition to the ISSB Standards.

There are additional requirements in IFRS S2. These include the requirements for companies to disclose industry-based metrics, to disclose information about their planned use of carbon credits to achieve their net emissions targets and to disclose additional information about their financed emissions.

Although the work of the TCFD is completed, the TCFD recommendations remain available for companies to use should they choose to. Using the recommendations is a good entry point for companies as they move to use the ISSB Standards.

The TCFD has been a trailblazer in raising the practice and quality of climate-related disclosures, with the ISSB building on this legacy.

The incorporation of the TCFD recommendations into the ISSB Standards provides yet further simplification of the so-called 'alphabet soup' of disclosure initiatives for companies and investors.

The Financial Stability Board has also asked the IFRS Foundation to take over the monitoring



of the progress on companies' climate-related disclosures from the TCFD.

Alignment in the disclosure landscape: where are we now?

One of the drivers of the establishment of the ISSB was the need to address the 'alphabet soup' of sustainability reporting initiatives by building on and incorporating leading investor-focused sustainability disclosure initiatives into the ISSB Standards.

With the finalization of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 efforts to reduce fragmentation have been advanced.

But that does not mean these standards and frameworks have immediately disappeared. So, where are we now?

Task Force on Climate-Related Financial Disclosures (TCFD)

The Financial Stability Board has announced that the work of the TCFD has been completed.

Companies applying IFRS S1 and IFRS S2 will meet the TCFD recommendations as the recommendations are fully incorporated into the ISSB Standards.

Companies can continue to use the TCFD recommendations should they choose to do so, and some companies may still be required to use the TCFD recommendations.

SASB Standards

Responsibility for the SASB Standards now sits with the ISSB. The ISSB Standards build on the SASB Standards.



The SASB Standards have a prominent role in helping companies to apply IFRS S1 and IFRS S2.

IFRS S1 requires companies to consider the SASB Standards to identify sustainability-related risks and opportunities and disclose related information for topics beyond climate.

IFRS S2 provides accompanying guidance on industry-based disclosures derived from the climate-related topics and metrics in the SASB Standards.

The ISSB has committed to maintain, enhance and evolve the SASB Standards and encourages preparers and investors to continue to use them.

[Read more here.](#)

CDSB Guidance

The Climate Disclosure Standards Board (CDSB) was consolidated into the IFRS Foundation in 2022.

There is useful content in the CDSB Framework Application Guidance for Water-related Disclosures and the CDSB Framework

Application Guidance for Biodiversity-related Disclosures that companies may refer to when applying IFRS S1 to identify sustainability-related risks and opportunities and to disclose related information.

Integrated Reporting Framework

Responsibility for the Integrated Reporting Framework is jointly held by the ISSB and its sister board the International Accounting Standards Board (IASB).

IFRS S1 builds on the concept of resources and relationships found in the Integrated Reporting Framework to describe how sustainability can affect a company's prospects.

Companies can use the Integrated Reporting Framework to integrate and present reporting, including disclosures prepared applying ISSB Standards.

[Read more here.](#)

[Source: www.ifrs.org](http://www.ifrs.org)

IFAC Calls on G20 Leaders to Lead on Sustainable and Inclusive Growth; Highlights Enabling Role of Accountancy Profession

Inclusive approach to key global challenges—like sustainability and education—necessary to achieve the UN SDGs

NEW YORK - In September 2023, the United Nations will mark the half-way point to the deadline set for achieving the 2030 Agenda and the Sustainable Development Goals. This is an important juncture for global leaders to reflect on the progress we have made, the progress we have not made, and the challenges we face ahead.

Reflecting on the G20's current theme of One Earth, One Family, One Future, IFAC, acting in its role as the global voice of the accountancy profession, highlights the importance of inclusivity in underpinning sustainable development in its [2023 Call to Action](#). We



must approach sustainability, the public sector, small- and medium-sized entities (SMEs), and education with an inclusive approach to make sure that the opportunities of today and tomorrow are shared, and that economic and social development are truly sustainable.

“We have serious challenges ahead of us. Fortunately, the global accountancy profession is a committed partner, doing our part to drive sustainable development and demonstrating leadership as a truly global and inclusive profession,” said IFAC CEO Kevin Dancey.





IFAC calls on G20 leaders to:

1. Make Sustainability A Reality, Not Just a Goal
 - Lead on achieving the UN SDGs and provide a foundation for net zero transitions
 - Support the ISSB’s global baseline for sustainability disclosures
 - Support mandatory assurance of sustainability information pursuant to ISSA 5000
 - Support the work of the International Public Sector Accounting Standards Board to develop sustainability reporting standards for the public sector
2. Support Public Financial Management and Fight Corruption
 - Support high-quality public financial management, professionalization in the public sector, and accrual accounting at all levels of government
 - Continue to prioritize full adoption and implementation of global commitments on the fight against corruption, such as the G20 Anti-Corruption Action Plan
3. Create an Environment for SME Growth and Innovation
 - Embed the unique needs of SMEs into global policy making
 - Support access to digital infrastructure and skills for SMEs
 - Provide a supportive regulatory environment for SMEs
4. No Inclusive Growth without Education
 - Support equal access to education, including STEM (science, technology, engineering and math) and accounting skills
 - Support financial literacy globally and locally

[Source: www.ifac.org](http://www.ifac.org)



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