المجمع الدولي العربي للمحاسبين القانونيين

The International Arab Society of Certified Accountants (IASCA)

عضو في طلال أبوغزاله فاونديشن

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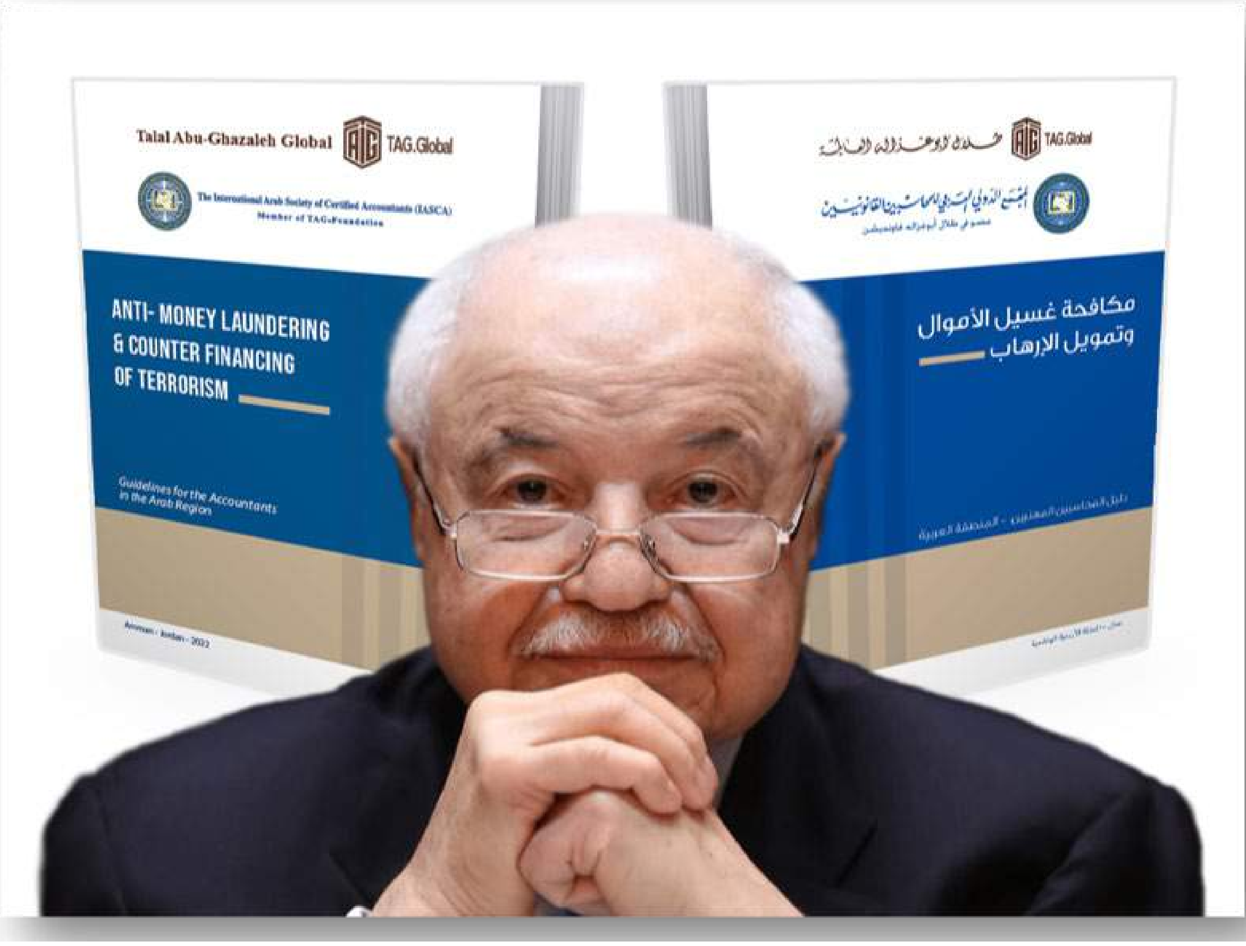
YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS



Dr. Abu-Ghazaleh: Publishing “Anti-Money Laundering and Terrorism Financing Guide for Free on all TAG.Global’s Websites

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IN THIS **ISSUE:-**

Dr. Abu-Ghazaleh: Publishing "Anti-Money Laundering and Terrorism Financing Guide for Free on all TAG.Global's Websites

AMMAN - The International Arab Society of Certified Accountants **(IASCA)** and the Arab Society of Certified Accountants (**ASCA-Jordan**), published the Anti-Money Laundering and Terrorism Financing Guide, on their websites, as well as all the websites of Talal Abu-Ghazaleh Global **(TAG.Global)** for free.

The Guide has been distributed free of charge in line with the directives and vision of HE Dr. Talal Abu-Ghazaleh, chairman of IASCA and ASCA (Jordan), to help accountants comply with the obligations imposed on them by the laws and legislation of AML & CTF in the Arab region.

The handbook aims to guide those concerned with the application of the (AML & CTF) legislation in the Arab region such as accountants, auditors, tax and credit consultants, and those who provide corporate services. In this context, Dr. Abu-Ghazaleh said,"We have exerted the utmost efforts to prepare these guidelines, the first of their kind, to help accountants comply with the obligations imposed on them by the laws and legislation of AML & CTF in the Arab countries." However, he stated that the courts should refer to the local laws and legislation along with the international regulations to decide whether an entity, subject to these laws, has committed such crimes.

The references in these guidelines follow the broad outline of the Financial Action Task Force (FATF) guidance for a Risk-Based Approach for the accounting profession, and they fulfill the requirements of the FATF 40 recommendations on accountancy obligations regarding AML/CFT compliance requirements.

"These guidelines are the latest and the most advanced guidelines applied in developed countries. They include all the concepts and procedures that professional accountants should be aware of to combat money laundering and terrorism financing. The guidelines aim to ensure that accountants will not use the services they provide to support criminal activities; instead, they will employ the services they provide in facilitating the vital transactions that support the economies and preserve the wealth of nations.

These guidelines set out the accountants' responsibilities in combating money laundering, starting from developing and maintaining a risk assessment framework, to reaching a final decision regarding how to handle high-risk clients suspected of money laundering.

To **download** the Guide, please **click here.**

IASCA Holds IACMA Exam - October 2023 Session

AMMAN - The International Arab Society of Certified Accountants (IASCA) held the International Arab Certified Management Accountant (IACMA) exam in different countries in the Arab region for the second time in 2023.

The results of the exam have been announced on IASCA's website www.iascasociety.org.

The IACMA aims at qualifying the participants and preparing them for addressing the highest levels of managerial accounting to enable them to analyze financial statements in accordance with financial and risk management standards, as well as to sharpen their knowledge in several areas related to management, financial accounting, cost accounting, economics, and finance fields.

Common Mistakes in the Work of Audit Committees

By: Alaa Abdul Aziz Abu Nab'aa* / CPA, CIA, CRMA, CICP, MACC

The presence of an Audit Committee (of the Board of Directors) is a key indicator of sound corporate governance. This committee establishes a culture of commitment to accountability within any organization regardless of its nature, activities, or size. The Audit Committee provides reasonable assurance [1] on the effectiveness and efficiency of the organization's internal control system and risk management processes in addition to ensuring the independence and integrity of the external auditor. In line with best corporate governance practices, the general assemblies of shareholders or the boards form audit committees that are tailored to the nature of the organization's activities in terms of number of members and their capabilities [2]. Indeed, many global corporate governance guidelines recognize the significance of Audit Committees and require the maximization of their effectiveness. The Audit Committee is considered the most important committee of the board.

Audit Committees must play a critical role in corporate governance as they help ensure the effectiveness and efficiency of internal control systems, risk management, and overall governance.

The functions and responsibilities of Audit Committees are paramount in achieving the organization's objectives and maximizing the benefits for all stakeholders, thus ensuring the long-term sustainability of the organization. Despite their critical role, Audit Committees are not immune to making mistakes that can adversely affect their effectiveness. The following mistakes are the most common in this regard. They are derived from my extensive firsthand experience working with numerous Audit Committees in various Arab countries and engaging in direct conversations with colleagues in the profession.

I: Mistakes in the formation of the Audit Committee and its relationship with the rest of the board's committees:

The proper formation of the Audit Committee is the most significant factor in determining its effectiveness. The common mistakes in the formation of the committee include the following:

1. The absence of clear standards for the membership of the committee.

1 The common translation of the term "assurance" in Arabic is تأكيد أو توكيد which suggests a stronger level of certainty or emphasis and I don't find it accurate as it indicates providing absolute, not reasonable assurance.
2 The word "capability" usually includes practical knowledge, practical experience, skills, and ethics.

2. The absence of the role of the Remuneration and Nomination Committee in recommending the acceptance of nominations and re-nominations of members, as well as verifying the independence of all independent members.
3. Including an executive board member, or any other executive personnel, such as the chairperson of the board, in the Audit Committee. [3]
4. Not considering that the independent member/s complement the capabilities of the rest of the committee [4] . Obtaining comprehensive knowledge of the organization's corporate governance, risk management, and internal control is imperative for every member of the committee. However, at least one Audit Committee member should possess a comprehensive understanding of the accounting practices relevant to the organization's activities. To address this matter, some central banks have implemented regulations mandating financial institutions to appoint Audit Committee members who possess knowledge and experience specifically relevant to the financial sector. Furthermore, many capital markets commissions around the world enforce regulations that require publicly traded companies to include a member on their Audit Committee who possesses specific knowledge and experience in accounting, internal auditing, and external auditing.
5. Assuming that holders of post-graduate degrees in accounting are suitable for the Audit Committee's membership, even if they lack practical experience. In my view, there is a distinction between the practical experience gained from professional roles in internal auditing, external auditing, and accounting, and the theoretical knowledge obtained through formal education.
6. Lack of coordination between the Audit Committee and other committees of the board, such as Risk Management, Compliance, Governance, and others.
7. The board or general assembly of shareholders does not approve the committee's charter and fails to regularly update it.
8. The Director of the Internal Audit Department also serves as the Audit Committee's secretary. I often receive inquiries from colleagues on this matter, and my response is that the International Professional Practices Framework (IPPF) does not explicitly prohibit it. However, in my opinion, the role of the secretary is primarily administrative and requires. specific capabilities that are often outlined in various corporate governance systems worldwide. As a result, the Director of the Internal Audit Department may not possess these specific capabilities. Moreover, it is anticipated that the Audit Committee members will convene meetings excluding the presence of the Internal Audit Director. The purpose of these meetings is to address specific matters with executive management or the external auditor, as well as to discuss issues about the internal audit activities. For instance, it is inappropriate for the Internal Audit Director to be present during an appraisal meeting concerning his/her performance.

II: Mistakes in relationship with the executive management:

A good relationship between the Audit Committee and the executive management is crucial for both parties. Failure to hold the executive management accountable for unaddressed internal audit findings and recommendations may negatively impact the relationship between the two parties. Moreover, not objectively addresse the feedback from executive management regarding the internal auditing activities [5] and adopting a «this is not our concern» attitude towards executive management can lead to shirking responsibilities.

3 In adherence to best corporate governance practices, it is recommended that the chairperson of the board should not serve as a member of any of the board's committees.

4 This principle is relevant not only to the audit committee, but also to the other committees of the board and the board as a whole.

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

III: Mistakes in the relationship between the Audit Committee and the Director of the Internal Audit Department:

The common mistakes in this regard include:

1. The Committee members lack awareness of their accountability for ensuring the effectiveness and efficiency of internal auditing.
2. Failing to ensure alignment between internal audit plans and the organization's strategy, as well as overlooking the coverage of the most significant risks faced by the organization.
3. Lack of effective coordination between the internal audit function and other internal control departments within the organization (such as Risk Management, Compliance, Safety, and Security).
4. Lack of awareness of the internal audit function's methodology.
5. Not adequately holding the Director of the Internal Audit Department accountable for the accomplishments of the internal audit function.
6. The board and executive management do not adequately emphasize the significance of having an independent internal audit function in the organization.
7. Failure to obtain approval for the internal audit charter and neglecting regular updates to the charter.
8. Not holding meetings with the Director of the Internal Audit Department if a representative of the executive management is not present.
9. Not reviewing and approving a strategic plan specifically designed for internal auditing, rather than an annual plan.
10. Enabling executive management to influence the appointment and compensation of the head of the internal audit department. [(6)].
11. Failing to conduct a review and approval of the internal audit activity's annual budget and delegating this responsibility to the executive management.
12. Failing to directly ask the head of the internal audit department about the personal assessment of his/her independence of the executive management and the level of cooperation with that management.
13. Failure to hold regular assessments of the internal audit activity by the Audit Committee at least once a year, and by an external party at least once every five years.
14. Relying excessively on the Head of the Internal Audit Department to fulfill the obligations and functions of the committee, combined with significant confusion and a lack of clarity regarding the respective roles of both the Head of the Internal Audit Department and the Secretary of the Audit Committee.
15. The Audit Committee's limited engagement with internal audit reports or failure to take necessary action against parties who do not respond to internal audit reports despite continuous follow-ups can result in internal audit teams feeling frustrated and undermine the effectiveness of the internal audit function within the organization.
16. Disregarding the value of the internal audit function and solely focusing on cost reduction, making the organizations at risk of hindering the audit committee's ability to fulfill its responsibilities to the board, general assembly, and stakeholders. It is crucial to recognize that the internal audit function plays a vital role in supporting the Audit Committee's effectiveness. The Audit Committee is ultimately responsible for any failure in the internal audit function.
17. Grant permission for the Internal Audit Department members to participate in investigation committees dealing with occupational fraud. [(7)]
18. Preventing staff members of the Internal Audit Department from serving as supervisor members on other operational committees claiming that their involvement in such committees may compromise the independence of internal auditing.
19. Direct intervention in the appointment, compensation, and performance assessment of internal auditors. These responsibilities should not rest solely with the Director of the Internal Audit Department

6 The term "compensation" typically encompasses various elements such as salary, bonuses, allowances, salary increases, and additional perks associated with the role.

IV: Mistakes in relationship with the external auditor:

Common mistakes in the Audit Committee's relationship with the external auditor include the following:

1. Neglecting to schedule regular meetings with the independent auditor and failing to discuss the work plan with them, and ensure their independence and objectivity. Also, not engaging in meetings with the independent auditor unless a representative of the executive management is present, and not proactively asking critical questions or providing constructive feedback. It is uncommon to come across an Audit Committee that engages in substantial discussions concerning the external auditor's opinion and methodology related to auditing significant elements like investments, debt allocations, and the execution of essential tests. It is important to recognize that engaging the independent auditor in advisory services or allowing executive management to handle the selection process and fee negotiations with auditors may impact the independence of the external auditor.
2. Not requesting the external auditor to provide management letter points. It is important for the committee to review the auditor's notes on the organization's financial statements and internal control failures, and to follow up on the actions taken to address these issues.
3. Not being familiar with the International Financial Reporting Standards (IFRS) and the different tax requirements and completely relying on executive management and external auditors to handle these matters.

V: Mistakes in the Meetings of the Audit Committee:

The common mistakes in this regard include:

1. Conducting a minimal number of meetings, having brief meetings, inadequate preparation by committee members for the meetings, or not reviewing the information relevant to the meeting's agenda.
2. Failure to document all discussions and objections within the committee's meetings and only focusing on noting decisions and recommendations. It is incorrect to assume that documenting sensitive discussions may harm the organization.
3. Failing to submit regular reports on the committee's activities to the board or the general assembly of shareholders.
4. When there is a delay in preparing the minutes of the committee's meetings, it can result in members of the committee forgetting the discussions that took place during the meeting. Additionally, it may cause delays in reviewing the draft minutes or postponing their approval until the next meeting, which could be months away.

VI: Other mistakes:

1. The responsibility for attracting offers and negotiating outsourcing fees for some or all of the internal audit tasks is left to the executive management.
2. Failing to stay informed on the latest updates in laws and regulations pertinent to the organization's activities.
3. Neglecting information security and disregarding the risks associated with information technology.
4. Failing to implement a whistleblowing mechanism for staff and stakeholders to report organizational or ethical concerns, and neglecting to independently investigate and monitor such reports in proportion to the severity of the misconduct or violation.
5. The committee fails to fully utilize its authority to access the organization's records and documents, seek clarification from board members and executive management, and request a general assembly meeting in cases where the board obstructs the committee's work.
6. The absence of adequate oversight over the financial reporting processes, including monitoring the policies, estimates, and accounting judgments made by the executive management, and the lack of clarity regarding the actions taken by the executive management in accounting decisions, particularly those that have a significant negative impact on the financial reports.
7. Failure to monitor the resolution of notes and implementation of recommendations mentioned in regulators' reports.
8. Failing to review contracts and transactions involving related parties and not communicating this information to the board.

The role of Audit Committees continually evolves to adapt to the changing risk management landscape and the increasing volume of responsibilities entrusted to the board. The traditional focus on historical elements alone is no longer sufficient. Hence, Audit Committees should prioritize their attention towards monitoring organizational changes that can impact comprehensive supervision, risk management processes, and compliance with laws and regulations. They play a crucial role in supporting the board's oversight and supervisory responsibilities over executive management. Additionally, Audit Committees aid in preserving the independence of the external auditor and enhancing the effectiveness of internal audit functions and internal control systems.

7 In my view, this is a managerial responsibility that can potentially compromise the objectivity and independence of auditors. Moreover, this task demands specific skills, expertise, and knowledge that may not be within the purview of internal auditors.

AI and Intelligent Automation: Opportunities for Professional Accountants

Disrupting Business; Elevating the Work of Accounting & Finance Professionals

NEW YORK - Artificial Intelligence (AI) and Intelligent Automation (IA) are creating significant opportunities for organizations and individuals and are shaping the future of professional accountants as leaders and business partners.

Digital transformation based on intelligent automation can drive business growth and customer and employee satisfaction.

To provide in-depth insights about AI and IA and consider their impact on the work of accounting and finance professionals, IFAC's Professional Accountants in Business (PAIB) Advisory Group received a presentation from Pascal Bornet, IA pioneer and CPA, and have shared a recording and takeaways from the discussion.

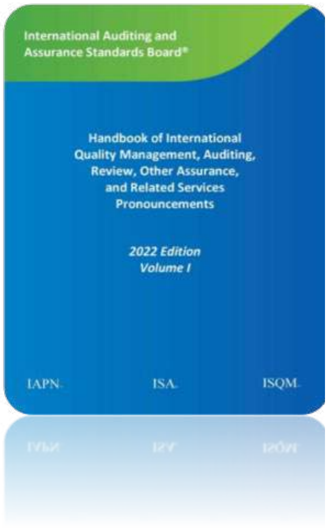
Explore takeaways from the presentation and watch the recording to learn some of the opportunities opening to accounting and finance professionals who embrace AI and IA.

Source: www.ifac.org

IAASB Issues the 2022 Handbook of International Quality Management, Auditing, Review, Other Assurance and Related Services Pronouncements

NEW YORK - The latest edition of the IAASB handbook includes:

- IAASB's new and revised suite of quality management standards:
  - International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements
  - ISQM 2, Engagement Quality Reviews
  - International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements
  - Conforming and Consequential Amendments to Other ISAs Arising from the Quality Management Project
  - Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards
- International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements
- The following standards, which are not yet effective for this version of the handbook, are included in the back of Volume 1: ISA 600 (Revised), *Special Considerations- Audits of Group Financial Statements (Including the Work of Component Auditors)*
- Conforming and Consequential Amendments to Other International Standards arising from ISA 600 (R



Source: www.ifac.org

Public Sector Needs to Prepare for Sustainability Reporting and Assurance Challenge

Public sector finance and audit professionals urges to take the lead on the sustainability reporting and assurance agenda

NEW YORK - Across the globe momentum is building for sustainability reporting and assurance in the public sector. The IPSASB decided to move forward with the development of public sector-specific sustainability reporting standards beginning with a Climate-Related Disclosures standard. Finance and audit professionals working in government, public sector bodies and supreme audit institutions – Auditors-General's offices, Courts of Accounts and similar (SAIs) – can demonstrate leadership on this agenda, driving action to progress transparent reporting and assurance of expenditure and actions to address sustainability challenges.

At the World Investment Forum in Abu Dhabi on 16th October three global bodies, ACCA, IFAC and IDI launched **a summary** of their forthcoming introduction to sustainability and assurance in the public sector. Based on their ongoing work and recent global round-tables with public sector reporting and auditing experts, the report makes the case for a focus on the principle of sustainable development: "meeting the needs of the present without compromising the ability of future generations to meet their own needs." It outlines what sustainability reporting and assurance mean for the public sector, why they are important, and key principles for governments, SAIs and other public sector bodies to consider in this journey.

Speaking at the ACCA/UN symposium on developing public sector sustainability reporting, **Maggie McGhee**, Executive Director for Strategy and Governance at ACCA said, "A sustainable future for all is a primary concern across government activity. At the same time governments play a critical role in establishing good governance: the institutional, policy and regulatory frameworks in which society operates. So governments and other public sector bodies need to be able to measure and report on how their policies and expenditure are addressing sustainability challenges."

IPSASB International Public Sector Accounting Standards Board®

Laura Leka, Principal and public sector lead at IFAC said, "Policymakers and other stakeholders, including the public, need information to understand the sector's impact on sustainable development. It's important that sustainability reporting provides disclosures that are high-quality, decision-useful, and prepared in accordance with internationally recognized reporting and disclosure standards."

As sustainability reporting develops, independent external assurance will become increasingly necessary to build trust in the information being disclosed. Roundtable participants saw SAIs taking the lead, building on their experience auditing progress towards sustainable development.

Archana Shirsat, Deputy Director General at IDI, said, "SAIs have a central role to play in providing independent and objective oversight on sustainability information generated by the public sector. Determining appropriate forms of assurance or confidence, engaging with stakeholders and developing auditor competencies to audit sustainability information is important to build public trust."

Read the Executive Summary **here**.

ACCA
www.accaglobal.com

IDI
www.idi.no

IFAC
www.ifac.org

Source: www.ifac.org

Proposed ISSA 5000: IAASB's Global Outreach Campaign

NEW YORK - The International Auditing and Assurance Standards Board (IAASB) launched a public consultation on its landmark proposed global sustainability assurance standard, [International Standard on Sustainability Assurance (ISSA) 5000](), *General Requirements for Sustainability Assurance Engagements*. It also committed to an extensive, high-level outreach plan to ensure broad stakeholder input to improve both the quality of and trust in the final standard. This plan included in-person roundtables around the world, virtual webinars for global audiences, and regional and national meetings with regulators and oversight bodies.

Source: **www.ifac.org**

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معايير المحاسبة الدولية في القطاع العام 2022

+

حالات عملية على معايير المحاسبة الدولية في القطاع العام

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UNI C

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- 4500 mAh
- AX (wifi 6) BT 5.1

Intel® Core™ i5 1235U
8 GB RAM DDR4
256 GB SSD + 1 TB HDD

Intel® Iris® Xe Graphics
5000 mAh
AC WIFI BT 4.2

PLUS III 5022

New

Spreadtrum SC7731E Quad-core
2 GB
32 GB

TAG-TAB KIDS II

MediaTek MTK 8788 octa-core
8 GB
128 GB

TAG-TAB III

Front: 16 MP
Rear: 20 MP
6 GB
128 GB

TAG-PHONE Special

Spreadtrum SC9863 Octa-core
4 GB
64 GB

TAG-DC

Front: 8 MP
Rear: 16 MP
4 GB
128 GB

TAG-PHONE Plus

Front: 16 MP
Rear: 16 MP
6 GB
128 GB

TAG-PHONE Advanced

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