

IASCA Newsletter

June 2016 - Issue 19

YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS

IN THIS ISSUE

Abu-Ghazaleh Chairs the 27th meeting of ASCA (Jordan) General Assembly **1**

Non-financial reporting: the value of human capital and workforce talent **2**

More than 100 students and 20 centers all over the Arab World To sit for IACPA Exam **3**

IAASB Welcomes US PCAOB'S Efforts To Enhance The Auditor's Report **3**

Malaysia issues new standard which requires lessees to recognize all leases on Balance Sheet **4**

Representatives from over 30 Countries Discuss Public Financial Management for Economic Prosperity in Asia at CAPA and World Bank Forum **5**

Abu-Ghazaleh Chairs the 27th Meeting of ASCA (Jordan) General Assembly



AMMAN --- June 2016 --- The Arab Society of Certified Accountants in Jordan held its 27th annual meeting, under the chairmanship of HE Dr. Talal Abu-Ghazaleh, Chairman of the Society, at Talal Abu-Ghazaleh Knowledge Forum.

The meeting discussed the achievements, future plans and training programs offered by ASCA, Jordan.

Dr. Abu-Ghazaleh emphasized that TAG-Org is constantly striving through ASCA, Jordan, to develop the accounting and management sciences, praising the high standards achieved by the Society and the efforts made by its management and staff.

He also praised the role and performance of ASCA, Jordan, in facilitating, developing and financing the translation of all International Financial Reporting Standards, International Standards on Auditing, International Public Sector Accounting Standards as well as other translations of IFAC publications.

Mr. Salem Al Ouri, Executive Director of ASCA, Jordan, provided a brief presentation on the Society's achievements and future plans, noting the significant development witnessed in the training programs, which covered all accounting areas with the participation of trainees from all institutions, entities and companies throughout all regions.

He also indicated the new consulting services rendered by the Society, where it performs a leading consulting role in activating government and business financial systems in accordance with the international standards. This service is provided through:

- Designing and preparing financial systems for both public and private sectors.
- Applying and adopting the international accounting standards for both public and private sectors.
- Preparing professional curricula for professional certifications in the field of Accounting and Auditing for both public and private sectors.

- Preparing an audit manual for both public and private sectors.
- Identifying the training needs according to the highest standards.

In addition, Mr. Al Ouri tackled the most prominent projects being implemented by the Society, including the development of audit methodologies for the Jordanian Audit Bureau recently won by the Society.

Such project aims to implement the Bureau’s plan to develop and promote the professional competence in certain specialized audit fields, such as financial auditing of government-owned companies and auditing of major projects for public and private partnerships. The project also aims to improve the quality of audit opinion (control outputs), management letters as part of the financial audit and structured audit methodology for major projects of public and private partnerships.



Non-Financial Reporting: The Value of Human Capital and Workforce Talent



LONDON- June 2016 - A research report entitled “Reporting Human Capital. Illustrating your company’s true value” has been launched today in London by an ad hoc partnership which includes the Chartered Institute of Management Accountants (CIMA).

A research report entitled Reporting Human Capital. Illustrating your company’s true value has been launched in London today by an ad hoc partnership which includes the Chartered Institute of Management Accountants (CIMA).

The report has reviewed the practices of UK FTSE 100 companies when it comes to measuring and reporting on human capital issues, notably how to capture the value of their workforces’ knowledge, skills and abilities.

A particular focus of the report is how the investor community can conduct accurate human capital valuations of a company’s staff.

The report found an overall increase in the reporting of these issues among FTSE 100

constituents. For example, it has been noticed a superlative increase, 127% between 2013 and 2015, in human rights reporting.

Human rights reporting are among the topics that companies will have to disclose in management reports from December 2016 under the EU Non-Financial Reporting Directive.

In addition the report observed how the reviewed companies pay special attention to succession planning, with noticeable good practices when companies report “on the value of successful talent pipelines”.

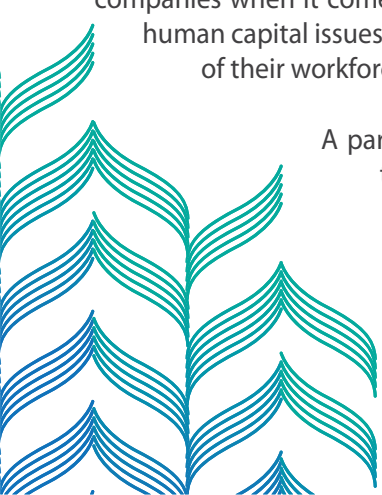
Similarly, the reporting on diversity and equality issues (e.g. mechanisms such as diversity councils and enhanced training and development programmers) featured as a trend on the rise.

However the Report Warned:

“Even though it would appear that there has been an overall increase in HC [human capital] reporting, it is debatable whether investors and other stakeholders will be able to make informed decisions based on what are, on the whole, generally positive reports on a variety of HC issues.”

The other partners of the so-called Valuing your Talent initiative are the UK Commission for Employment and Skills; the Chartered Institute of Personnel and Development; the Chartered Management Institute; and Investors in People.

Source: The Accountant Online website. < <http://www.theaccountant-online.com/news/non-financial-reporting-the-value-of-human-capital-and-workforce-talent-4902559> >



More than 100 Students and 20 Centers All Over the Arab World To Sit for IACPA Exam



AMMAN- June 2016 - The International Arab Society of Certified Accountants (IASCA) held the twenty eighth IACPA exam, where more than 100 students in 20 centers sat for exams in Economy and Finance, Accounting, Auditing, and

Legislations. The next exam will be held in December 2016. The certificate aims to provide the Arab accountants with the highest accounting qualifications.

The certificate targets administrative and financial specialists, including the accountants in charge of preparing the management reports, holders of Certified Accountant certificate (CA), holders of Certified Public Accountant certificate (CPA), and holders of International Arab Certified Management Accountant certificate (IACMA).

IAASB Welcomes US PCAOB'S Efforts To Enhance The Auditor's Report

Issues Publication Comparing IAASB and PCAOB Approaches



NEW YORK – June 2016– The International Audit and Assurance Standards Board welcomes the release by the US Public Company Accounting Oversight Board (PCAOB) of its re-proposed auditing standard, The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion. The PCAOB's re-proposal would require auditors conducting audits under PCAOB standards to provide information on critical audit matters (CAM) in the auditor's report, in addition to other enhancements.

In September 2014, the IAASB finalized its new and revised Auditor Reporting Standards, which will be effective for December 2016 year-end audits. The IAASB's most notable enhancement is the communication of Key Audit Matters (KAM) for listed entities.

"The IAASB is delighted to see the many similarities between the PCAOB's re-proposal and the IAASB's standards. Comparable approaches to auditor reporting around the world will clearly benefit investors and is in the public interest. We commend the PCAOB for taking steps to enhance transparency for investors and to further global consistency," said Prof. Arnold Schilder, IAASB Chairman. "We have heard from early adopters around the globe that enhanced communication in the auditor's report has reinvigorated discussions with management and audit committees and inspired auditors to be innovative in their auditor's reports."

communications with those charged with governance as the starting point to determine matters for inclusion in the auditor's report, as investors have long asked for greater transparency about the types of matters that are discussed with the audit committee. While the two approaches may differ somewhat in terms of definitions and the decision-making process, we believe that many of the same types of matters will ultimately be communicated."

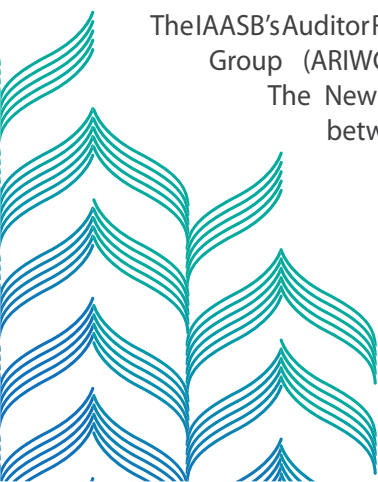
Kathleen Healy, IAASB Technical Director, highlighted, "The IAASB devotes much attention to outreach and coordination with the PCAOB and other regulators and standard setters, as well as with a variety of other important stakeholders, including investors and firms. This reflects the importance we attach to achieving auditing standards that can be applied consistently in a complex, evolving global environment, and facilitates convergence."

The IAASB is an observer to the PCAOB Standing Advisory Group (SAG) and Prof. Schilder recently presented at the May 18–19 SAG meeting on topics of mutual interest and ongoing coordination. The PCAOB also participates as an observer to the IAASB's Consultative Advisory Group. To access to the new and revised IAASB Auditor Reporting standards, more information about the changes to the auditor's report, and other Auditor Reporting toolkit materials, please visit www.iaasb.org/auditor-reporting.

About the IAASB

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).

Source: International Federation of Accountants Website <<https://www.ifac.org/news-events/2016-05/iaasb-welcomes-us-pcaob-s-efforts-enhance-auditor-s-report> >



The IAASB's Auditor Reporting Implementation Working Group (ARIWG) has prepared a publication, The New Auditor's Report: A Comparison between the ISAs and the PCAOB Reproposal, to assist interested parties in understanding key aspects of the two proposals. Dan Montgomery, Chair of the Working Group, noted, "It is beneficial that both the IAASB and PCAOB approaches look to

Malaysia Issues New Standard Which Requires Lessees To Recognize All Leases On Balance Sheet

By CFO Asia



KUALA LUMPUR – June 2016 – The Malaysian Accounting Standards Board has issued MFRS 16 Leases to replace the existing Standard on Leases, MFRS 117. MFRS 16 is word-for-word IFRS 16 Leases as issued by the International Accounting Standards Board, and has the same effective date of 1 January 2019. Earlier application is permitted provided MFRS 15 Revenue from Contracts with Customers is also applied.

Currently under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognizes on its balance sheet assets and liabilities arising from the former but not the latter. As a result, many users have resorted to adjust the lessees' financial statements for the effects of operating leases commitments to enable comparison with entities that borrow to buy assets.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its balance sheet as recording certain leases as off-balance sheet leases will no longer be allowed except for some limited practical exemptions. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its balance sheet are expected to increase substantially.

Addresses Widespread Criticism:

MASB Chairman Mr. Mohamed Raslan said, "This is necessary to address the widespread criticisms that MFRS 117 did not always provide useful information to users when lessees have substantial operating leases commitments, such as airlines that lease aircrafts and retailers that lease retail stores. I believe MFRS 16 will meet users' needs as it provides greater transparency of a lessee's financial leverage and capital employed."

He adds, "While the effects on the balance sheet are expected to be significant for companies

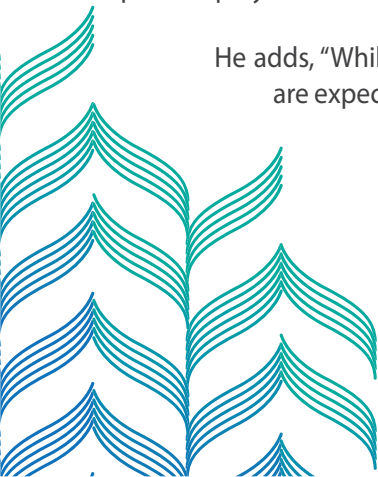
with material off balance sheet leases, the effects on the profit or loss depend on a number of factors. I encourage companies to quickly assess the extent of the Standard's impacts so that the wider business implications, if any, can be addressed promptly."

Regarding the cost of implementing the new requirements by lessees, Mr. Raslan clarifies, "The extent of the implementation costs depends on the size of a company's lease portfolio. In addition MFRS 16 does not apply to short-term leases of 12 months or less and leases of low-value assets, for example, leases of office furniture and personal computers. A company using these exemptions treats such leases as off balance sheet leases. Moreover, MFRS 16 provides substantive transition relief, one of which is that a lessee is not required to reassess existing lease contracts."

MASB Executive Director, Ms. Tan Bee Leng said, "The new Leases Standard is only issued under the MFRS Framework. It is not issued under the transitional Financial Reporting Standards (FRS) Framework that some Transitioning Entities are currently applying. This is because some of MFRS 16 requirements refer to the requirements of MFRS 15 which was not issued under the FRS Framework."

Transitioning Entities are entities within the scope of MFRS 141 Agriculture and / or IC Interpretation 15 Agreements for the Construction of Real Estate, including their parents, significant investors and joint ventures. Transitioning Entities have been given the option to continue applying the FRS Framework, the predecessor of the MFRS Framework, until the end of 2017 in view of the changes brought about by MFRS 15 and the Bearer Plant Amendments to MFRS 141. Transitioning Entities are required to adopt the MFRS Framework for annual periods beginning on or after 1 January 2018, being the effective date of MFRS 15.

Source: Malaysian Accounting Standards Board website.
< http://masb.org.my/press_list.php?id=252 >



Representatives From Over 30 Countries Discuss Public Financial Management for Economic Prosperity in Asia at CAPA and World Bank Forum



KUALA LUMPUR – June 2016 – Senior representatives from governments, Supreme Audit Institutions, and professional accountancy organizations representing virtually every country and jurisdiction in Asia gathered in Malaysia to discuss how improved public financial management can promote better public services, accountability and transparency to support poverty reduction and economic growth.

The 2nd Financial Reform for Economic Development (FRED II) Forum in Asia—hosted in Kuala Lumpur by the Confederation of Asian and Pacific Accountants (CAPA) and the World Bank—included thought leaders and development partners from 33 Asian jurisdictions, including larger economies such as China, India, and Japan, and smaller ones such as Afghanistan, Bhutan, and Cambodia. The two-day landmark forum was a joint initiative of CAPA and the World Bank, and strongly supported by the International Federation of Accountants® (IFAC®).

“The increasing economic significance of Asia, together with ASEAN’s economic integration, is a potential game-changer for many of the region’s nations. However, success will depend on wide and deep acceptance of the principles of effective, accountable, and transparent governance. This is especially true of Asia’s public sector institutions, which must set the right policy directions and deliver high quality sustainable services if they are to maximize opportunities for their citizens in the global economy,” said CAPA Chief Executive, Mr. Brian Blood.

In her message to the Forum on emerging trends in Asia, World Bank Governance Senior Director Ms. Deborah Wetzel said, “the scope of challenges we face across the world today makes our focus on improved and strengthened governance a critically important area—in the form of (i) open, effective and accountable institutions that promote inclusive development, respond to citizens, and promote citizen engagement; (ii) efficient revenue mobilization that allows governments to be more inclusive and comprehensive in service delivery and poverty reduction; and (iii) effective public institutions that are critical in underpinning sustainable growth.”

“Achieving sustainable economic growth requires the coordination of public and private sector leaders who are dedicated to sound decision

making based on high-quality information, accountability, and transparency,” said Faye Choudhury, Chief Executive Officer of IFAC. “The accountancy profession plays a critical role in ensuring that sound financial management practices—in both the public and the private sectors—lead to economic development both globally and in Asia, as the region looks to emerge from recent financial pressures. FRED II advances an important discussion about the effectiveness of public financial management in building and sustaining economies.”

Two key papers were highlighted at the forum:

Attracting and Retaining Finance Personnel in the Public Sector—a solutions-oriented approach developed by CAPA to help jurisdictions embrace the challenge of identifying, attracting, and retaining professional accountants and other key financial personnel to the public sector.

Unravelling the Secrets of Successful Public Financial Management Reforms: Is There a Role for Professional Accountancy Organizations?—a forthcoming knowledge product of the World Bank, this retrospective study analyzes country cases of successful PFM reforms across two regions of the Bank: South Asia Region and East Asia and the Pacific. Themes from the study shared at the Forum focused on identified opportunities for the public sector to partner with the private sector specifically including professional accountancy organizations (PAOs) to influence policy, build PFM skills and capacity, and provide sustainability to PFM reforms and their outcomes. The full paper will be launched later this year.

FRED II examined a range of themes related to the 2000 UN-backed Millennium Summit and the 2015 Sustainable Development Goals, focusing on the importance of effective, accountable, and transparent institutions in the developed and developing worlds. Discussions included:

- Public-private partnerships and collaboration with the private sector;
- Practical challenges in implementing accrual-based International Public Sector Accounting Standards;
- How improved public financial management contributes to strengthening the public sector;
- Attracting the next generation financial management professionals, especially for the public sector;
- The role of the accountancy profession and the need for robust public audit; and
- Rapidly aging demographics that have impacted growth and increased fiscal pressure in countries throughout the region.



Aspects of the Forum were sponsored by the Japan International Cooperation Agency (JICA), Chartered Institute of Public Finance and Accountancy (CIPFA), and PwC Malaysia.

About FRED

A joint initiative of the Confederation of Asian and Pacific Accountants (CAPA) and the World Bank, FRED—the Financial Reform for Economic Development Forum in Asia—was established in 2014. FRED I, held in Sri Lanka, explored the role of key participants in the financial reporting supply chain. FRED II, in Kuala Lumpur, will focus primarily on the role of the public sector, and the need for stronger public financial management to help the region's nations grow.

About CAPA

The Confederation of Asian and Pacific Accountants (CAPA)'s mission is to develop, coordinate and advance the accountancy profession in the region. It is recognized by the global accountancy profession, represented by the International Federation of Accountants (IFAC), as a regional organization representing national professional accountancy organizations (PAOs) in Asia Pacific.

About the World Bank Group

The World Bank Group is a development finance institution that provides financial and technical assistance to

developing countries around the world. Its mission centers around two main goals: Ending extreme poverty by 2030 by decreasing the percentage of people living on less than \$1.90 a day to no more than 3 percent, and promoting shared prosperity by fostering the income growth of the bottom 40 percent for every country. The World Bank Group is headquartered in Washington, DC, and has more than 10,000 employees in more than 120 offices worldwide.

About IFAC

IFAC is the global organization for the accountancy profession, dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. It is comprised of more than 175 members and associates in 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce. Accountability. Now. is an IFAC initiative to help drive awareness of the critical need for high-quality, transparent, comparable public sector financial reporting, and the importance of engaging citizens in the process of holding governments to account.

Source: International Federation of Accountants website.
<<https://www.ifac.org/news-events/2016-05/representatives-over-30-countries-discuss-public-financial-management-economic>>



FOR MORE INFORMATION

Tel: (0962-6) 5100900

Fax: (0962-6) 5100901

Or you may reach us electronically through our website:
iascasociety.org

And our emails:

asca.jordan@iascasociety.org

salouri@iascasociety.org

www.facebook.com/ASCAsociety

This Newsletter is Published by
the International Arab Society of Certified Accountants (IASCA)

© IASCA 2016

Reproduction is permitted provided
that the source is acknowledged.

