المجمع الدولي العربي للمحاسبين القانونيين

The International Arab Society of Certified Accountants (IASCA)

عضو في طلال أبوغزاله فاونديشن

Member of TAG-Foundation

IASCA Newsletter

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YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS

Abu-Ghazaleh: ASCA (Jordan) Issues Translated Arabic Version of 2021 Handbook of the International Code of Ethics for Professional Accountants

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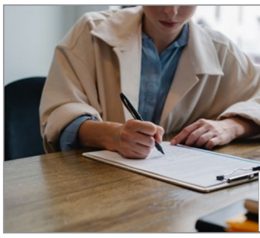

Abu-Ghazaleh Patronizes the Graduation Ceremony of the Libyan Audit Bureau Employees

AMMAN - The Arab Society of Certified Accountants (ASCA/Jordan) issued the approved translated Arabic version of the 2021 Handbook of the International Code of Ethics for Professional Accountants, issued by the International Federation of Accountants (IFAC).

Purpose of the Code:-

1. The International Code of Ethics for Professional Accountants (including International Independence Standards) sets out fundamental principles of ethics for professional accountants, reflecting the profession's recognition of its public interest responsibility.
2. The Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles.
3. In the case of audits, reviews and other assurance engagements, the Code sets out International Independence Standards, established by the application of the conceptual framework to threats to independence in relation to these engagements.

The new in this guide:-

1. The objectivity of an Engagement Quality Reviewer (EQR) and other appropriate reviewers. Address the eligibility of an individual to serve in an EQR role, focusing on the critical attribute of objectivity.
2. A new prohibition on firms from providing to an audit client that is a public interest entity (PIE) a NAS that might create a self-review threat.
3. Strengthened provisions that specify the circumstances in which firms may or may not provide a NAS to an audit client.
4. A requirement that a firm not allow the audit fee to be influenced by the provision of services other than audit to an audit client by the firm.
5. Strengthened provisions to address fee dependency at the firm level.
6. New provisions to promote more robust engagement between auditors and those charged with governance of PIEs about independence matters relating to NAS and fees.

It is worth mentioning that ASCA-Jordan continuously seeks to develop accounting and management sciences, as well as all related principles applicable to professional services. ASCA-Jordan also strives to improve competence and practice and strengthen the code of ethics in accordance with the highest professional standards through the issuance of accounting publications and following up on the recent developments in accounting and auditing.

IASCA Holds IPSAS Expert Qualifying Exam for the First Time in 2023

AMMAN - The International Arab Society of Certified Accountants (IASCA) held the qualifying exam for the IPSAS Expert certificate for the first time in 2023.

The IPSAS Expert program aims at introducing comprehensive professional knowledge of IPSAS, focusing on the practical applications and interpretations. The certificate also includes several examples of the application of IPSAS by governments and public sector entities that issue financial statements in accordance with IPSAS. The certificate aims at becoming a comprehensive reference to how the accrual and the modified cash basis IPSAS are applied by providing examples and highlighting the accounting and financial reporting practices.

This curriculum consists of two main pillars as follows:

- The first pillar - the government financial system as well as the budgets, IAS, recognition, and measurement of the items of the financial statements according to IPSAS, issued by IFAC.
- The second pillar - financial statements and financial instruments reporting, as well as budgets and special standards according to IPSAS, issued by IFAC.

The results of the exam will be posted beginning of April 2023,

on IASCA's website **www.ascasociety.org**

The **detailed guide to the IPSAS Expert certification**

Recommended Practices in the Selection of Independent Members of Boards of Directors

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Since its inception in the beginning of the 1990s, corporate governance systems have gone through many stages. In 1992, a report of the committee of the British House of Commons, headed by the Godfather of governance, Adrian Cadbury, was issued with the first definition of governance: "Corporate governance is the system by which companies are directed and controlled." Since the issuance of the Cadbury report to date, the percentage of independent members in the boards of directors, along with the role stakeholders expect them to undertake, have remarkably increased.

The regulators have set requirements that should be met by independent members and have introduced special regulations that define the roles and responsibilities of the members along with the roles and responsibilities of the oversight committees of the boards. Moreover, the regulators have also defined different ratios of the independent members to the other members of the boards or committees in public entities, profit-making, and non-profit organizations, in order to maintain the required level of independence in the decision-making process, achieve the objectives of organizations and stakeholders, and ensure the sustainability of such organizations.

In this article, and away from the content of the regulations or rules of governance issued by the competent regulators in several countries, which have mostly defined the independence standards required for independent members, I will address some recommended practices regarding the selection of independent members; aiming to promote the effectiveness of boards and the oversight committees of boards, such recommendations include: Independent members should be able to accomplish the tasks assigned to them, express their opinions, vote on the decisions objectively and impartially. Regarding the percentage of shares owned by a member, he/she should not exceed, or be a relative of someone who exceeds, a certain threshold of shares (in joint stock companies). Similarly, the board member should not be a relative to any other board member or to any of the senior executive managers, also, the independent member should not work, or had been previously working, in the organization or with any relevant party related to it, such as external auditors and major suppliers. The independent member should not own a control interest in any of the above during a certain period, and he/she should not have a direct or indirect interest in the business or contracts relevant to the organization in which he works as a board member. Furthermore, independent members should not receive any financial compensations from their organizations, other than the remuneration he/she receives for being a board member or a member of a committee of the board. The independent member should not participate in or work for any competitor, and he/she should not have spent more than certain years (consecutive or discrete) as a board member of the competitor. These recommendations should be considered along with other requirements and standards.

The recommended practices in forming the boards of directors include:-

1. The majority of the members should be independent.

2. The board should be chaired by an independent member, or at least the deputy chair should

be an independent member. One of the recommendations included in the “King IV Code of Governance” is that one of the independent directors should be selected to serve as a “Lead Independent Director” to enhance the objectivity and independence of the board. This is particularly applicable in the cases where the independence of the chairperson is jeopardized or doubted, in the situations where he/she works simultaneously as the CEO and the chair of the board, or where there is a conflict of interests.

3. Additionally, the practical experiences, scientific knowledge, specialized skills, abilities, and personal traits (which are collectively known as “competencies”) of the independent members should supplement the competencies of the rest of the board members, whether executives or non-executives, and not duplicate them, so that the board as a whole is versed (has the ability to use knowledge in situations that are likely to occur, handle such situations without having to refer extensively to research and technical assistance from the executive management or from external consultants), in the following eight areas: domestic and international markets, industry, operations, laws and regulations, technology, accounting and financials, control, risk management. On top of that, each member should have the ability to detect the obstacles or anticipate their occurrence, determine the additional needed research, or the assistance that he/she should have from the executive management or external consultants in other fields such as management (organization, planning, direction, and control), governance, reading and understanding of financial statements and reports, economics, commercial law, taxes, and information technology.

The practices recommended when independent members carry out their duties and responsibilities include:-

1. Each board member should seek to have a constructive conversation with the other members and the executive management, explicitly explain the reasons of objecting on a proposed decision, avoid using his/her authority to harm the interests of the organization or the other stakeholders, or to use it to achieve gains, whether directly or indirectly, or to achieve an advantage for another person related to him/ her, with the exception of obtaining remuneration for his/her membership in the board.

2. All independent members should seek, as practical as possible, to acquire the needed knowledge about the business of the organization to be able to act effectively in the board of directors. This knowledge includes being familiar with the business and the market in which the organization operates, the key clients, the administrative structure, and those responsible for the management of the organization. Moreover, the independent board member should be aware of the confidential content, whether governmental or commercial, that he/she might see or read, as well as the terms and conditions that control the use of such confidential items. Additionally, the board member should have a certain level of knowledge of the production, technology, social, environmental, and financial aspects, as well as all the applicable laws and regulations to have a comprehensive understanding of the potential liabilities that may arise from carrying out the tasks of this role.

3. The independent board member should visit the sites of the organization or the key production/ services areas.

4. The independent board member should act as an agent to all stakeholders, therefore, the member should, within the limits of his/her authority, protect the rights and the legal interests of the stakeholders, assist in establishing an open channel for communication between the stakeholders, the board, and the executive management, in addition to the following:

A. Understanding the expectations of the stakeholders and informing the organization of their expectations and opinions about the matters that are relevant to them.

B. Seeking to ensure that the stakeholders obtain complete and timely information about the operations of the organization in accordance with the applicable laws, along with seeking to implement the rules of transparency within the organization and expanding the scope of additional voluntary disclosures.

5. The independent board member should enhance

his/her professional skills by participating in special training programs and the activities of the civil organizations that seek to improve the profession of independent board members.

The recommended practices in forming the control committees of the boards, such as the audit, the risk management, and the corporate compliance committees include the following:-

1. The audit committee should be headed by an independent member, other than the board members, to avoid the bias to the board when, for example, there's a conflict between the recommendations of the audit committee and the decisions of the board, or where the board disapproves a recommendation of the committee regarding the appointment of an external reviewer, the determination of the fees, the evaluation of the performed work, or the appointment of an internal audit executive. Furthermore, the audit committee shall undertake its important control activity, regarding the internal and external control, as well as compliance, risk management, and governance (even with the existence of other committees of the board that are specialized in such matters).

2. The chairperson of the board of directors should not be a member in the audit or the nomination committees in order not to affect the objectivity of the decisions made by those committees regarding the evaluation of the effectiveness of the governance system within the organization and the nomination of members. However, the chairperson may participate in other committees provided that he/she doesn't occupy the position of the head of such committees.

3. Each committee should have a member of the board among its members to facilitate communication between the committee and the board without overcrossing the role of the committee's head in managing the relation between the committee and the board.

Through my knowledge of many governance systems in several developed countries, and so on; I noticed a discrepancy in the controls of forming audit committees and their subordination. In some countries, all committee members must be members of the board of directors (such as what is stated in the corporate governance system for public shareholding companies issued by the Capital Markets Authority in Kuwait). However, in other countries, the committees were allowed to include members from outside the board (such as what was stated in the corporate governance system for public joint stock companies issued by the Capital Market Authority in the Kingdom of Saudi Arabia). In Kuwait, the audit committee reports to the board of directors, and in Saudi Arabia, the audit committee reports to the general assembly that elected it.

Anecdotal evidence indicates that board members do not believe that actual independence must be linked to formal independence standards. An informal study by professors at Harvard Business School found that appropriate experience is a more relevant indicator of board member's quality than compliance with regulatory requirements.

Board members are expected to demonstrate clear independence in order to be effective as an advisory and oversight body. The independence of a board member is assessed, from the organizational perspective, by the extent to which the member is free from the conflict of interests which may compromise the member's ability to act for the benefit of the organization. Accordingly, independence is essential as it ensures that board members can and may take opposing decisions that contradict the decisions made by managements, when needed. The New York Stock Exchange (NYSE), for example, requires the listed entities to have a majority of independent board members in their boards and to have independent committees of auditing, remuneration, governance, and nomination.

However, the control standards (relevant to the selection of independent members) are not actually independent, as the board members who have been working with executive managements for long periods could have strong relations with such managements which is a crucial challenge to independence. Independence might be compromised due to individual factors, such as the level of competence, the values, and the personal relations between the board member and the executive management, as there are plenty of examples of boards that include competent members who did not object on the decisions made by executives, leading eventually to catastrophic implications on their organizations. For example, the board of directors of Enron failed to rein in the administrative actions that were proven criminal.

Seven Key Takeaways from the IFRS Sustainability Symposium

LONDON- More than 1,000 people from 45 countries convened in Montreal and online to discuss what's next for investor-focused sustainability disclosure. Onsite in Montreal, the room was abuzz as businesses, investors, policymakers, regulators and other stakeholders engaged in meaningful discussion about the forthcoming standards from the International Sustainability Standards Board (ISSB).

The seven key takeaways from the day's sessions.

1. ISSB Standards are nearing issuance

The day before the Symposium, the ISSB held a public meeting to make **final decisions on the technical content** of its first two standards, S1 (General Requirements) and S2 (Climate). After 20 sessions of redeliberation on the extensive feedback received during the consultation period last year, the board fully agreed on the final content of the standards and unanimously approved entering the next phase of standard-setting, the drafting and **formal 'balloting' process.** As such, the standards are on track to be issued at the end of Q2 2023.

2. SASB Standards are a practical tool to implement S1 and S2

Industry-specific disclosures are required in each of the ISSB Standards. In addition, S1 requires that companies consider the SASB Standards to identify sustainability topics and metrics to disclose in the absence of a specific ISSB Standard. Also, S2 provides disclosures from the SASB Standards as illustrative guidance. As such, companies that already use SASB Standards will have a competitive advantage in applying the ISSB Standards. The SASB Standards will continue to be supported on a standalone basis by the ISSB for at least 4 years and realistically probably longer, with ISSB Standards that build on the SASB industry-based standards to follow. At the same time, a group of ISSB members—chaired by Jeff Hales, former Chair of the SASB Standards Board—has been established and tasked with developing recommendations for the ISSB related to the maintenance, evolution and enhancement of the SASB Standards.

3. Global comparability remains paramount

The ISSB was established to create a global baseline of sustainability disclosure for investors, and speakers throughout the day reiterated the need to achieve global comparability. In the words of keynote speaker Mark Carney, UN Special Envoy for Climate Action and Finance and Co-Chair for the Glasgow Finance Alliance for Net Zero:

I think that the ISSB baseline is going to be decisive in terms of how cross-border capital is allocated because it's comparable, reliable and consistent across jurisdictions…It would be exceptionally costly to a jurisdiction itself to not apply the core elements of S1 and S2.

4. Jurisdictions are actively considering the ISSB Standards

To realistically achieve this global baseline, jurisdictions must adopt the ISSB Standards. The ISSB Standards have built in proportionality, reliefs and guidance. This includes the instruction to 'use reasonable and supportable information available without undue cost or effort', and consideration of a company's 'skills, capabilities and resources' to determine the approach to providing information. Martin Moloney, Secretary General of IOSCO, gave his perspective on what the regulatory adoption process may look like:

My sense is we will see a number of lead jurisdictions who will move extremely fast. For us, it's very important that they do it in a very professional way, as they have the ambition to do. I think we will then see the bulk of jurisdictions come in pretty quickly after that, you will then see a few who want to wait….the countries that work out how to manage the proportionality issue will move the most quickly and the ones who are most concerned about that will move the most slowly. But I expect adoption on quite a fast pace around the world.

5. Capacity building is critical to the ISSB's success

During consultation on the ISSB Standards, companies responded that there is a range of preparedness to use the standards, and that in particular, smaller companies and those in emerging markets need more support to apply the standards. In response, the ISSB decided to develop application guidance, illustrative guidance, and examples, and to introduce transition reliefs to reduce the burden on companies. These reliefs include phase-in periods, and basic/advanced reporting requirements based on a company's resources (proportionate requirements).

T. Rowe Price Vice President and Director of Corporate ESG Gabriela Infante emphasized how critical this is:

Not everyone's sustainability reporting journey will look the same – that's a fact. I will tell you candidly that not everyone has this figured out – this is not only normal, it's natural. The fact that ISSB has pledged to publishing guidance, and to recognizing there are different levels of preparedness and capability to apply S1 and S2, is really crucial for this work to ultimately be embraced globally.

6. Work to advance integrated reporting remains underway

Concepts in the Integrated Reporting Framework are embedded in S1, and work between the ISSB and International Accounting Standards Board (IASB) is underway to more closely integrate the Integrated Reporting Framework and the IASB's Management Commentary. Andreas Barckow, IASB Chair, commented on this:

It is widely acknowledged that integrated reporting is a step forward from traditional accounting, and obviously the more we can keep that family close to us, the more inspirational this entire journey becomes.

One recent step forward towards integrated reporting is the ISSB's decision to draw on concepts in the Integrated Reporting Framework to describe the connectivity between sustainability and financial value creation, articulating how a company's ability to deliver financial value to investors is inextricably linked to the stakeholders with whom it works and serves, the society in which it operates and the natural resources upon which it draws. The ISSB will shortly consult on connectivity between sustainability disclosures and financial statements, including considering how to incorporate and build upon the Integrated Reporting Framework and the IASB's Management Commentary.

7. Many stakeholders have enabled the ISSB to make significant progress

In his opening keynote, ISSB Chair Emmanuel Faber reminded us why the ISSB is developing these standards and thanked the many stakeholders that are helping deliver them.

Thank you to everyone who joined us for the inaugural IFRS Sustainability Symposium. If you're interested in future events, save the date for the IFRS Sustainability Integrated Reporting Conference on June 12 in Frankfurt and the IFRS Foundation Conference on June 26-27, 2023 in London.

Source: **www.ifrs.org**

IASB Concludes Project to Improve its Approach to Developing Disclosure Requirements in IFRS Accounting Standards

LONDON - The International Accounting Standards Board (IASB) concluded its project on improving its approach to developing and drafting disclosure requirements. The improved approach is designed to help the IASB develop Accounting Standards that would enable companies to make better judgements about which information is material and should be disclosed, thereby providing more useful information to investors.

The improved approach is summarized in **guidance that the IASB has published,** alongside a **Project Summary and Feedback Statement,** as part of the IASB's **Targeted Standards-level Review of Disclosures project.**

The improved approach involves:

- engaging early with investors to understand their information needs;
- developing disclosure requirements alongside recognition and measurement requirements;
- considering the digital reporting implications of new disclosure requirements;
- using general and specific objectives that describe and explain investors' information needs; and
- supporting specific objectives by requiring companies to disclose items of information that would satisfy the objectives in most cases.

The IASB intends to use this approach when developing disclosure requirements.

The Project Summary and Feedback Statement provides an overview of the Targeted Standards-level review of Disclosure Project, summarizes feedback on the Exposure Draft Disclosure Requirements in IFRS Standards-A Pilot Approach and sets out the IASB's response to that feedback.

The Targeted Standards-Level Review is one of several of Disclosure Initiative projects designed to improve disclosures in the financial statements. Only one Disclosure Initiative project remains—**Subsidiaries without Public Accountability**.

Source: **www.ifac.org**

Women Take the Lead: Get to Know Accounting's Changemakers

NEW YORK - There is striking evidence in the world highlighting the positive impact of women's leadership. On International Women's Day 2023, IFAC is launching a series of interviews featuring inspirational women with diverse roles and backgrounds who all have one thing in common: their accountancy education has contributed to their accomplishments.

Featuring IFAC President **Asmâa Resmouki.**

Our first interview highlights the 2023 International Women's Day theme, **DigitALL: Innovation and technology for gender equality.**

Asmâa Resmouki- President, IFAC
Country: Morocco

Ms. Asmâa Resmouki became IFAC President in November 2022. Prior to becoming President, Ms. Resmouki was appointed Deputy President in November 2020 after serving on the IFAC board since November 2017, originally nominated to the board by the Ordre Des Experts Comptables—Morocco. As Deputy President, Ms. Resmouki chaired the IFAC Planning and Finance Committee having previously chaired the board's Governance Subcommittee prior to her election as Deputy President.

Ms. Resmouki is a Past President of the Pan African Federation of Accountants (PAFA). She served on the PAFA Board since 2011, as vice president and chair of the Planning, Human Capital, and Financial Committee from 2013 to 2015 and as president from 2015 to 2017.

Ms. Resmouki has more than twenty-five years of experience in assurance services, including serving as audit partner in the large auditing firms (Deloitte and EY) in Morocco, where she led auditing in various industry and service sectors, including real estate, mining, pharmaceutical, consumer business, automobile, and tourism. She has extensive experience in other types of engagement, such as due diligence and valuation, agreed-upon procedures, and internal control review. During her career, she was also a finance director for a multinational company.

Ms. Resmouki performed quality reviews of auditing firms within the Ordre Des Experts Comptables—Morocco from 2008 to 2011. She was also a member of the Regional Council of Chartered Accountants in Morocco from 2011 to 2014, and served as chair of the Audit Quality Review Committee.

Source: **www.ifac.org**

Q&AS to Spotlight Key Changes to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code

NEW YORK - The Staff of the International Ethics Standards Board for Accountants (IESBA) released a **questions and answers (Q&As) publication** on the **revisions to the definitions of listed entity and public interest entity (PIE)** in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code). The development of the Q&As has been informed by the extensive discussions and consultations with a wide range of stakeholder groups and the IESBA's own deliberations during the development and finalization of the PIE revisions.

The Q&A publication is designed to highlight, illustrate or explain aspects of the PIE revisions in the Code and is intended to complement the **Basis for Conclusions** for the final pronouncement. It will assist national standards setters, professional accountancy organizations, and firms in adopting and/or implementing the PIE revisions. The Q&As will also assist regulators and audit oversight bodies, the corporate governance community, investors, preparers, educational bodies or institutions, and other stakeholders in understanding the revised PIE definition and related provisions in the Code. Among other things, the PIE revisions:-

- Include an expanded definition of a PIE by specifying a broader list of PIE categories, including a new category "publicly traded entity" to replace the category "listed entity."
- Recognize the essential role local bodies responsible for the adoption of the Code play in delineating the specific entities that should be scoped in as PIEs in their jurisdictions, encouraging them to properly define the PIE categories in the expanded definition and adding any other categories relevant to their environments.
- Introduce a transparency requirement for firms to publicly disclose the application of independence requirements for PIEs where they have done so.

The PIE revisions are effective for audits of financial statements for periods beginning on or after December 15, 2024. Read the revisions **here.**

Source: **www.ifac.org**

TAGTech

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128 GB

TAG-PHONE Special

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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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