Issue 1 2022

mgiworldwide WITH CPA ASSOCIATES INTERNATIONAL

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MENA NEWSLETTER

Area Leader Address

-------------- MOHAMED BOUMESMAR

Dear MGI MENA Members,
In these blessed days of Aid El Kebir, I would like to wish you once again all the best of health, serenity and success.
First of all, I would like to thank you for your trust and hope to live up to the responsibility that you have entrustued to me. Also, I would also like to thank Faiyaaz for all the efforts made for the promotion of our region and the development of cooperation between our members
It has been more than two years since MGI MENA members have not met in person. I'm sure our members are eager to meet at our next regional meeting in Kuwait and end this long absence.
I hope this meeting will be a great success and that we can celebrate our reunion like our colleagues in Latin America, Europe and around the world.
This meeting will be an opportunity to inform colleagues on all the new features of the network, on the new features of MGI MENA members and topics of certain interest.
It is true that the world did not have time to breathe: indeed, as soon as the lifting of the covid19 restrictions measures was announced, a war broke out in Europe. The consequences of these two major events threaten all countries and all professions for years.
It is important that everyone share their ideas and actions in order to maintain the development of their business and what the region can do collectively in order to mediate and encourage them.
In these particularly difficult and uncertain times, we should focus on what we can control: our attitude and our actions. The role of our teams is extremely vital, the more cohesion and involvement there is, the less the crisis will be felt. The crisis often creates great opportunities for innovation and development, that will yield great benefits.
Despite this context, our network and our region will continue its development and other colleagues will come, I hope, to strengthen our ranks.
That's why we should maintain our communication and our cooperation. This axis is the first priority on which I intend to focus my action as a new IC member. In this context, we have much to learn from each other and we have if we work together more likely to succeed on international development opportunities.
It is with this objective in mind that I intend to launch very soon with the help of Audrey (whom I sincerely thank for her tireless action and effort for the development of our network and our region) a questionnaire that aims to gather the opinions of each of you about the ways and means of recovery and development communication and cooperation within our region and the strengthening of our ranks by other colleagues.
Looking forward to seeing you in Kuwait in November

Thank you again to all of you

Welcome Thank you

From 1st of June 2022 Mohamed Boumesmar from Audicis, Casablanca, Morocco will replace Faiyaaz Rajkotwala as the International Committee member representing the Middle East and North Africa region.

We welcome Mohamed and wish him every success in leading the MENA region.

At the same time the MENA region owes a big thank you to Faiyaaz Rajkotwala for leading the region since 2014

"Faiyaaz has been involved in the growth of the MENA region, increasing it's footprint in the GCC countries and other parts of MENA" said Audrey Danasamy, MENA regional director. "He has been a great leader and support to me"

MGI Worldwide retains Top-20 position in IAB World Ranking

The 2022 annual World Survey Report has been published by the International Accounting Bulletin [IAB] and MGI Worldwide continues to rank as the World's 17th Largest Network, maintaining its position among the Top 20 leading international accounting networks.

Our total fee income of $849m breaks down as follows:

Other service income was $102m.

Lead - Inspire - Succeed

Celebrating MGI Worldwide's exceptional female talent with the launch of our new group 'Women Who Lead' to shine a light on the exceptional women leaders throughout our member firms and across the MGI Worldwide network.

While women are well-represented across the accounting sector, there is still a gap at the leadership end. By celebrating the successes and talent of our female leaders, we hope to inspire positive change throughout our network and in the profession. We will 'lead by example' and explore opportunities to encourage and support the next generation of women and the future leaders of accounting. This group meets monthly via a zoom.

New member firm for Malaysia - MustaphaRaj Chartered Accountants

MustaphaRaj Chartered Accountants is a full-service firm, keen to grow both internationally and locally by providing a holistic range of services and be a one stop centre for all client service needs. The firm was founded some 30 years ago and, in addition to its business unit directors, it now boasts a staff force of 65-70 personnel.

MUSTAPHA RAJ CHARTERED ACCOUNTANTS — A member of mgiworldwide

The firm can assist with all aspects of setting up business in Malaysia. Their wide range of client services cover the length and breadth of general practice, including:

- Tax compliance and advisory
- External and Internal Audit
- Mergers & Acquisitions (M&A)
- Insolvency and Corporate Recovery
- Other Specialist Requirements

We have recently established the Global ESG Group that is aimed at members around the world interested in leading ESG initiatives in their firms and offering a useful forum for sharing information, resources and experiences on this important topic. This group is open to **ALL** members.

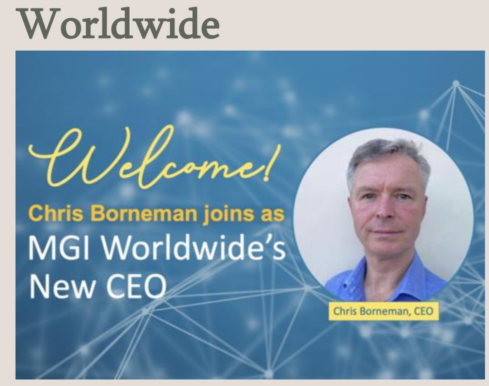
MGI Worldwide's focus has always been on supporting member firms and finding ways to grow and enhance their businesses through membership. Being able to show that we are actively taking steps and making a conscious effort to act more responsibly and sustainably in the support that we offer and all that we do as part of membership is becoming increasingly important.

Thank you, Clive!

At the Latin America (LATAM) regional meeting on 3 June 2022 both Faiyaaz & Mohamed thanked Clive on behalf of the MENA region for all his leadership. As many of you are aware Clive championed for our region to get global funding to employ a regional director, ensuring a proper structure to function successfully. We can attribute part of our region's success to Clive.

Clive was awarded with the Lifetime Achievement Award at the inaugural International Accounting Forum and Awards (IAFA). A fitting recognition of his career with MGI Worldwide!

A new CEO for MGI Worldwide



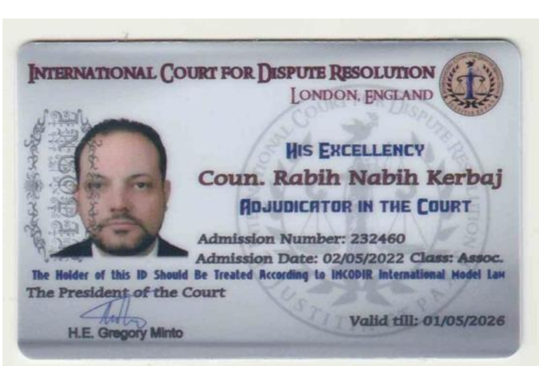
Chris Borneman, based in the UK, joined MGI on the 9 May after a distinguished career as a soldier and diplomat. He brings with him a wealth of international experience as a senior executive.

His deep international background and impressive leadership skills will be essential in helping MGI Worldwide to continue grow its market position and brand strength in the coming years.

Saudi Arabia member Al-Hamli & Partners Co., moves to new offices

Al-Hamli & Partners Co., has moved its Dammam office from the 4th to the 6th floor of Samic Tower in the financial hub in the city. The firm has taken the whole of the 6th floor, doubling its space to cater for the increase in its talent & new clients.

The look and feel of the new space is more creative, vibrant and comfortable. It comprises a beautiful conference room, spacious reception, and most importantly larger workstations for the comfort of the people working there.



Rabih Kerbaj, Managing Partner of MGI KICA in Lebanon has been appointed adjudicator in The International Court for Dispute Resolution (INCODIR) a private Entity of eminent ADR experts. The fundamental objective of the INCODIR, is to act as an ADR expert appointing authority.

Congratulations to Rabih on this appointment

M&M Al Menhali sets up corporate tax division

M&M ALMENHALI AUDITING

The UAE Ministry of Finance has announced the introduction of a Federal Corporate Tax regime on business profits for financial year commencing after 1st June 2023. Since all businesses in the UAE would need to evaluate the impact of such developments and get ready for the new changes, M&M Al Menhali have decided to set up a dedicated corporate division, integrating it with the existing VAT consulting team. The department will support clients to navigate the complex requirements that would arise related to corporate tax impact assessment, restructuring of operations, transfer pricing & documentation, Intra-group agreements, corporate tax advisory, Implementation support, post implementation support etc.

Nadia Yaich elected woman CEO of the year

MGI BFC's Managing Director Nadia Yaich was elected woman CEO of the year by Tunisian magazine l expert

Nadia has contributed to the successful growth of MGI BFC. Her diversification efforts, to build new service lines specifically related to consulting work with international development agencies and governments in the continent has been successful.

Through her efforts MGI BFC has won many transnational consulting work. She was also instrumental in the set up of BFC Conakry and soon BFC Sénégal

Her innovative ideas like recruiting engineers to support the consulting division has ensured that the firm had the wide and varied pool of resources to tap on for consulting work not just related to accounting.

MENA region meeting

7 & 8 December 2022
Kuwait City, Kuwait

Let us all gather in Kuwait to meet face to face after more than 2 years. Mark your calendar. Details to follow

Global AGM

Not to be missed! This is a unique opportunity to join our one Global event of the year where you can connect face-to-face with MGI-CPAAI friends and colleagues worldwide!

2022 Global AGM
19 – 21 October 2022
Vancouver, Canada

Make sure you **register before the 22 August 2022 to benefit from the Early Bird Rate.** [REGISTER HERE]

Collaborations

Collaborating with people from around the world is a key benefit of being part of MGI Worldwide with CPAAI. Collaboration includes everything from sharing knowledge on technical issues, sourcing the best golf courses, to referring paid client projects.

Being able to identify specific connection points between members through specialist areas, niches or even just location opens many opportunities for collaboration.

All you need to do – it's extremely simple…

From now every time you email another MGI Worldwide with CPAAI member (directly or replying to a message you have received) or share another member's contact information with another member, a client or potential client, please copy collaborations@mgiworld.com into your message. That's it!

MENA Country updates

Keeping you updated

UAE: INTRODUCTION OF CORPORATE TAX

On January 31, 2022, the Ministry of Finance announced that the United Arab Emirates (UAE) will introduce a Federal Corporate Tax on business profits effective June 1, 2023. The announcement brings a significant shift for a nation that has long attracted businesses from around the globe because of its status as a tax-free commercial hub.

On 28th April 2022 the Ministry of Finance has released the Public Consultation Document (PCD) on the proposed UAE Corporate Tax (UAE CT) which provides some important indications. The Federal law is expected to be released anytime in June 2022.

Some key highlights of the Public Consultation Document:

Effective date:

The UAE Corporate Tax (CT) regime will become effective for financial years starting on or after 1 June 2023.

Taxable persons:

UAE CT will apply to UAE companies and other legal persons incorporated in the UAE, as well as to foreign legal entities that have a permanent establishment in the UAE or that earn UAE sourced income. UAE CT will also apply to natural persons engaged in a business or commercial activity in the UAE. This will include sole establishments or proprietorships and individual partners in an unincorporated partnership that conducts business in the UAE. Employment income and other personal income earned by UAE and foreign individuals such as dividends, rental receipts from UAE real estate investments, and other investment income will not be within the scope of the proposed UAE CT regime.

CT rates:

· 0% for taxable income not exceeding to AED 375,000.
· 9% for taxable income exceeding AED 375,000 and
· A different tax rate will be applicable to large multinationals that meet specific criteria set with reference to 'Pillar Two' of the OECD Base Erosion and Profit Shifting project.

Taxable income:

The UAE CT regime proposes to use the accounting net profit (or loss) as stated in the financial statements of a business, prepared in accordance with internationally acceptable accounting standards as the starting point for determining their taxable income.

Basis of taxation:

Residency is a key determinant of whether business profits will be subject to CT in the UAE. A legal person that is incorporated in the UAE or any natural person who is engaged in a business or commercial activity in the UAE will automatically be considered a 'resident' person for UAE CT purposes. A foreign company may be treated as a resident person if it is effectively managed and controlled in the UAE.

Non-residents will be subject to UAE CT on:

- Taxable income from their Permanent Establishment in the UAE; and
- Income which is sourced in the UAE.

Exempt persons:

The following persons will be exempt from UAE CT, either automatically or by way of application:

1. The Federal and Emirate Governments and their departments, authorities and other public Institutions.
2. Wholly Government-owned UAE companies that carry out a sovereign or mandated activity, and that are listed in a Cabinet Decision.
3. Businesses engaged in the extraction and exploitation of UAE natural resources that are subject to Emirate-level taxation.
4. Charities and other public benefit organisations that are listed in a Cabinet Decision.
5. Public and regulated private social security and retirement pension funds.
6. Investment funds, subject to meeting certain conditions.

Free Zones:

While companies and branches that are registered in a Free Zone will be within the scope of the UAE CT and subject to tax return filing requirements, the UAE CT regime will honour the tax incentives currently being offered to Free Zone companies that maintain adequate substance and comply with all regulatory requirements.

Losses:

A business will be able to offset a loss incurred in one period against the taxable income of future periods, up to a maximum of 75% of the taxable income in each of those future periods.

No tax loss relief will be available for the following losses:

- Losses incurred before the effective date of CT.
- Losses incurred before a person becomes a taxpayer for UAE CT purposes.
- Losses incurred from activities or assets which generate income that is exempt from UAE CT or
- Losses incurred by a Free Zone company that are not attributable to a permanent establishment in the mainland.

Tax Groups:

A UAE resident group of companies can elect to form a tax group and be treated as a single taxable person if the parent company holds at least 95% of the share capital and voting rights of its subsidiaries.

For group of companies that do not meet the minimum 95% common ownership requirement or that do not want to elect for a tax group, the UAE CT regime allows to offset tax losses from one group company to another group company with tax profits, provided certain conditions are met.

Transfer Pricing:
All Related Party transactions and transactions with Connected Persons will need to comply with transfer pricing rules and the arm's length principle as set out in the OECD Transfer Pricing Guidelines.

Withholding tax:
UAE businesses will not be required to make any deductions from payments made, nor will there be an obligation to file withholding tax returns. A 0% (zero percent) withholding tax will apply on domestic and cross-border payments made by UAE businesses.

Tax Credits:
The UAE CT regime will allow a credit for the tax paid in a foreign jurisdiction against the UAE CT liability on the foreign sourced income that has not been otherwise exempted.

THE NEW UAE LABOUR LAW:

The biggest change to the law governing labour relations in the country since 1980 came into force on 2nd February 2022 after the release of Federal Decree – Law No. 33 of 2021 on the regulation of labour relations in the private sector. The new law strengthens the position of the UAE labour market as one of the most prominent and important global labour markets that offers flexibility, efficiency, ease of work and attraction of competencies, expertise and skills, while protecting and guaranteeing the rights of both parties to the employment relationship in a balanced manner.

Significant changes have been introduced in the new Labour Law.

Some of the key amendments include:

- Changes in work models such as introduction of remote work, shared job, full time, part time, temporary and flexible work models.
- Introduction of new working arrangements/work permits.
- Abolition of unlimited employment contracts.
- Changes in probation period notice.
- Equal pay & equal work.
- Non- competition clause.
- Payment of wages.
- Introduction of new leave rules.
- Equality & Non- discrimination clause.
- Judicial fees and exemption.
- Changes in End of service benefits for full time workers.

UAE DIGITAL SERVICES LAW:

Law No. (9) of 2022 'Regulating the Provision of Digital Services' in the Emirate of Dubai (the "law") was issued on 14 March 2022 and aims to further enhance and improve the quality of Dubai's digital services.

The Law seeks to accelerate the Emirate's digital transformation, enhance the provision of digital services, and promote the digitisation of services in both the public and private sectors.

In terms of the scope of application, Article 4 stipulates that the law shall apply throughout the Emirate of Dubai, including special development zones, free zones, and the Dubai International Financial Centre (DIFC). Pursuant to the Law, government entities, judicial authorities, including Dubai Courts and Dubai Public Prosecution and non-government entities in Dubai, are obliged to provide digital services to their customers.

NEW DATA PROTECTION LAW:
The UAE's Decree-Law No. 45 of 2021 regarding Personal Data Protection Law (PDPL) is an integrated framework for ensuring information confidentiality and protecting individuals' privacy. It has come into effect on 2 January 2022 and established a framework for data management and protection. The PDPL provides a legal framework to ensure the confidentiality and security of personal information while emphasizing the rights and duties of all concerned parties.

Some highlights of the law:

- The law applies to the electronic processing of personal data both inside and outside the UAE.
- The law establishes protection for the processing of personal data.
- Except in certain cases, the Law prohibits the processing of personal data without the consent of the data subject.
- It specifies the standards for cross- border transfers and the exchange of personal data.

NEW UAE RESIDENCY VISA SCHEME:
UAE GREEN VISA 2022:
The UAE Cabinet has in April 2022 come out with Green Residency visa targeting investors and entrepreneurs including start-ups. This is considered to be a big stimulus for UAE start-ups and UAE job market and expected to come into effect from September 2022.

The new Green Residence permits will allow investors, partners, freelancers, skilled employees, students and self-employed individuals engaged in establishing or participating in commercial activities, a five-year residency visa.

GOLDEN VISA:
Under the UAE Golden Residency visa scheme, start-ups/investors can obtain long term 10-year residency visas where no sponsor is required. The eligibility criteria and categories of beneficiaries have recently been expanded. It is now granted to investors, entrepreneurs, exceptional talents, scientists & professionals, outstanding students & graduates, humanitarian pioneers and frontline heroes.

NEW UAE VISIT VISA FOR JOBS/ENTRY PERMIT WITHOUT SPONSOR:
The UAE government has opened up the country to welcome new talent into the country. The new type of entry visa, titled 'explore job opportunities', by the government provides easy entry for young talents and skilled workers to explore new job opportunities without requiring a host or sponsor in the UAE. The special visa for job seekers provides a win-win situation for all stakeholders related to the job market and will come into effect from September 2022.

Contributed by M&M Al Menhali. Please contact vinayak@mandmauditing.com for more information

EGYPT: Issuance of Law No.3 to update the VAT and Stamp Tax Laws

The Egyptian government has issued new amendments to the VAT and Stamp Tax Laws.

The new amendments have been issued by a virtue of law no.3 of 2022, published in the Egyptian official gazette on 26 January 2022 and effective 27 January 2022 onwards. The amendments introduced several updates to the provisions of the VAT law no. 67 of 2016 in addition to one significant update to the stamp tax law no 111 of 1980.

Source: PwC MENA website

OMAN: Amendments to the Executive Regulations of the Foreign Capital Investment Law

A new Ministerial Decision ("MD") was issued recently by the Ministry of Commerce, Industry, and Investment Promotion, ("MOCIIP") to amend certain Articles of Executive Regulations of the Foreign Capital Investment Law ("FCIL ER"), which became effective from 4 April 2022. We believe that these amendments were introduced to further improve the legislative framework of the FCIL in a way that enables and enhances potential foreign investment opportunities to arise and prosper.

Background

Back in June 2020, the MOCIIP issued an MD,(MD 72/2020), promulgating the ER of the FCIL to streamline the procedures and rules provided in the FCIL such as procedures of registration of foreign investment projects, license requirements, benefits available to specified projects, allocation of land for investment purposes, and inspection of the projects by the competent authority. Detailed comments on the FCIL ER can be found here.

Amendments to FCIL ER

In March 2022, the MOCIIP issued a new MD, (MD 306/2022), amending certain Articles of the FCIL ER, which appear to:

- Signify the role of individuals, establishments, and companies, in promoting and attracting foreign investments in Oman;
- Channelise certain rules related to foreign investment license and permits application.

The amendments to the FCIL ER have replaced the full text of Article 5, which forms part of general rules section, and Article 7, which forms part of procedures and conditions related to investment license section. We provide a summary below of the amendments introduced:

● **Article 5** of the FCIL ER provided that the Investment Services Centre ("the Centre") shall empower the employees of Public Authority for Investment Promotion and Export Development ("the Authority") to access the Authority's electronic system to complete foreign investment projects applications, and that the Centre shall provide all required services to those projects. The above has been replaced with a new Article which provides that the MOCIIP shall authorise individuals, establishments, and companies, inside and outside Oman, to promote investment opportunities, and to attract foreign investors and encourage them to invest in Oman, in accordance with certain rules to be issued via an MD.

This amendment is likely to create vast potential opportunities for foreign investors by extending the role of promoting and attracting foreign investment which was limited to governmental bodies.

● **Article 7** of the FCIL ER, before amendment, provided that foreign investors are given the option to entrust their representatives (licensed and accredited bank, legal, administrative or financial consulting offices) to examine their application for an investment license and submit a certification in this regard to the competent authority on their behalf. This has been replaced in the amended Article to provide that such entrustment shall be limited to offices that are authorised by the MOCIIP to examine such applications. Further, the amended Article also provides that an MD would be issued to regulate the procedures and rules related to those offices including their obligations, in particular, the due diligence obligation in examining the applications and the accuracy of submitted information and supporting documents, as well as the timely completion of the applications, and maintenance of information confidentiality.

We expect to obtain further clarity on the implications of these amendments once the MDs detailing the rules related to each of the amendments made are issued.

Source: PwC MENA website

KSA Companies Law

On 28 June 2022 the Saudi Council of Ministers approved the new KSA Companies Law and the final approved version of the law was issued on 4 July 2022.

It is already clear that after two years of drafting, consultation and review the new law will usher in a number of significant changes and will also ensure that the legal position in relation to a number of key areas aligns with the approach that the Ministry of Commerce have adopted in practice in the past.

In detail

Key amendments and new provisions look set to include:

· More detailed provisions specific to limited liability companies - providing a similar level of detail as those previously included for joint stock companies ("JSC").

· Introducing and regulating non profit professional companies.

· Allowing the introduction of a family charter in the articles of association to regulate ownership, governance, management, work policy, relatives employment, and dividends distribution in family owned companies.

· Introducing and regulating a new type of company - a simple JSC.

· Removing restrictions on company names, and share lock in periods.

· Allowing LLCs to issue tradable debt and financial instruments.

· An overhaul of the conversion and merger processes, and allowing companies to be split into two or more companies.

· Exempting small companies from the requirement to appoint an external auditor.

· facilitating the split of shares into shares with a lower nominal value, or merging them to result in shares with a higher nominal value.

· Arrangements to help companies attract high caliber talent by allowing the issue of shares to be dedicated to employees, and/or options to acquire such shares after a specific period.

· Allowing the distribution of interim/annual dividends to the partners/shareholders.

· Enhancing the automation of the process for various tasks including establishment requests, general assembly meetings attendance, and virtual voting using technology tools.

· Introducing alternative methods for the resolution of disputes.

· Simplifying the liquidation procedures in line with the KSA Bankruptcy Law.

Source: PwC MENA website

Professional news from around the world

Breaking news from the regulators

NEW IMPLEMENTATION GUIDE AVAILABLE FOR QUALITY MANAGEMENT FOR AUDITS OF FINANCIAL STATEMENTS
The International Auditing and Assurance Standards Board (IAASB) today released *First-time Implementation Guide for ISA 220, Quality Management for an Audit of Financial Statements*.

This non-authoritative First-time Implementation Guide may help stakeholders understand the requirements of the International Standard on Auditing (ISA) 220, Quality Management for an Audit of Financial Statements, and implement the standard in the manner intended.

Alongside the previously released implementation guides for International Standard on Quality Management (ISQM) 1 and 2, the new Guide will help stakeholders implement the IAASB's suite of quality management standards. The suite of standards was released in December 2020 and come into effect on December 15, 2022.
These publications do not amend or override ISA 220 or ISQM 1 or 2, the text of which alone are authoritative. Reading these publications are not a substitute for reading the ISQMs. The IAASB encourages all practitioners to plan early for appropriate implementation, given the potential impact of the changes to firms' quality management systems.

ISSB DELIVERS PROPOSALS THAT CREATE COMPREHENSIVE GLOBAL BASELINE OF SUSTAINABILITY DISCLOSURES

The International Sustainability Standards Board (ISSB), established at COP26 to develop a comprehensive global baseline of sustainability disclosures for the capital markets, today launched a consultation on its first two proposed standards. One sets out general sustainability-related disclosure requirements and the other specifies climate-related disclosure requirements.

The proposals—exposure drafts—build upon the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and incorporate industry-based disclosure requirements derived from SASB Standards.

When the ISSB issues the final requirements, they will form a comprehensive global baseline of sustainability disclosures designed to meet the information needs of investors in assessing enterprise value.

The ISSB is working closely with other international organisations and jurisdictions to support the inclusion of the global baseline into jurisdictional requirements.

The ISSB is seeking feedback on the proposals over a 120-day consultation period closing on 29 July 2022. It will review feedback on the proposals in the second half of 2022 and aims to issue the new Standards by the end of the year, subject to the feedback.

The proposals have been developed in response to requests from G20 leaders, the International Organization of Securities Commissions (IOSCO) and others for enhanced information from companies on sustainability-related risks and opportunities. The proposals set out requirements for the disclosure of material information about a company's significant sustainability-related risks and opportunities that is necessary for investors to assess a company's enterprise value.
Later this year, the ISSB will consult on its standard-setting priorities. This consultation will include seeking feedback on the sustainability-related information needs of investors when assessing enterprise value and on further development of industry-based requirements, building on SASB Standards, which address a broad range of sustainability matters.

The ISSB has set out its plan for how its work will build on the SASB Standards and industry-based standard-setting processes.

The ISSB's proposals build on the work of the Climate Disclosure Standards Board, the International Accounting Standards Board, the Value Reporting Foundation (which houses Integrated Reporting and SASB Standards), the TCFD and the World Economic Forum.

Development of IFRS Sustainability Disclosure Standards follows an inclusive and transparent due process, consistent with that used to develop IFRS Accounting Standards. As required by the IFRS Foundation's *Constitution*, the IFRS Foundation Trustees' Due Process Oversight Committee has overseen the decision by the ISSB Chair and Vice-Chair to publish these exposure drafts before the ISSB is quorate.

IFRS Sustainability Disclosure Standards are intended to provide a global baseline and to be compatible with jurisdiction-specific requirements, including those intended to meet broader stakeholder information needs. Thus, in addition to commenting on the ISSB's proposals, stakeholders are encouraged to respond to other relevant public consultations being undertaken by jurisdictions on sustainability reporting

The Fast Future With IFAC

Have you listened to IFAC's new podcast series?

The Fast Future With IFAC features innovative small firm practitioners sharing how they're adapting to the rapidly changing global economy.

In the first three episodes, IFAC principal Kristy Illuzzi spoke with our guests about many prominent issues for small- and medium-sized practices (SMPs):

- Episode 1: Technology, the Covid pandemic, advisory services, and recruiting & hiring
- Episode 2: Value pricing, subscription models, client relationships, and attracting and retaining talent
- Episode 3: Technology investments, cybersecurity, mental health, and workplace culture

Click above or visit our iTunes podcast channel to listen to each episode.

Be sure to subscribe on iTunes to catch our next conversation with an innovative practitioner, coming soon.

For more thought leadership, articles, case studies, and other resources – including our road map to the future for SMPs – visit our dedicated practice transformation page

IFAC Releases New Implementation Tool for Auditors
New Resource Helps Implement International Standard on Auditing Accounting Estimates

The International Federation of Accountants (IFAC) today released a new resource, *Auditing Accounting Estimates: ISA 540 (Revised) Implementation Tool*. It will help auditors implement the International Auditing and Assurance Standards Board's International Standard on Auditing 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* by providing an overview of steps practitioners could take and related considerations.

For entities of all types and sizes, management has to make accounting estimates, which have estimation uncertainty and may also be complex. Making these estimates involves selecting and applying a method using assumptions and data, which requires judgment. The nature, timing and extent of the audit procedures required will vary in relation to the estimation uncertainty and the assessment of the related risks of material misstatement.

This implementation tool contains "what", "why" and "how" suggestions. These are not all-encompassing and more or different considerations may apply depending on the circumstances of the engagement. The implementation tool also works in conjunction with the IAASB's previously published ISA 540 (Revised) flowcharts showing the requirements flow. The choice of specific procedures an auditor decides to perform to meet the requirements of ISA 540 (Revised) and other relevant ISAs is a matter of professional judgement. This implementation tool does not replace the need to read ISA 540 (Revised), including its application and other explanatory material.

The publication is based on the Chartered Professional Accountants of Canada (CPA Canada) Implementation Tool and supports efforts to improve audit quality globally and, more broadly, international standards' adoption and implementation. Additional guidance and resources are available on the dedicated Supporting International Standards section of the IFAC Knowledge Gateway.

IAASB MODERNIZES ITS STANDARD FOR GROUP AUDITS IN SUPPORT OF AUDIT QUALITY

The International Auditing and Assurance Standards Board (IAASB) today released International Standard on Auditing (ISA) 600 (Revised). The revised standard addresses special considerations that apply to audits of group financial statements (group audits). Group audits are often more complex and challenging than single-entity audits because a group may have many entities or business units across multiple jurisdictions, and component auditors may be involved. The revised standard becomes effective for audits of group financial statements for periods beginning on or after December 15, 2023.

"ISA 600 (Revised) is a significant step forward to enhance the consistent performance of quality group audit engagements and thereby supports users' interests and broader financial stability," said Tom Seidenstein, IAASB Chair. "Group audits is an area identified by regulators requiring attention. The changes in the standard build off other recent IAASB revisions, such as the revisions to the quality management standards, and should enhance audit quality by strengthening the accountability of group auditors and clarifying the interactive relationship between group and component auditors."

ISA 600 (Revised) includes a robust risk-based approach to planning and performing a group audit. The approach focuses the group auditor's attention and work effort on identifying and assessing the risks of material misstatement of the group financial statements and designing and performing further audit procedures to respond to those assessed risks. It also recognizes that component auditors can be, and often are, involved in all phases of the group audit. The standard furthermore promotes a clear, proactive and scalable approach for group audits that can be applied to today's evolving group audit structures.

The IAASB also developed a Basis for Conclusions and factsheet to support the implementation, which are also available on the IAASB's website.

News from accounting publications

------------- STRATEGY MANAGEMENT

The auditor in 10 years
By Daniel Hood

While every profession changes over time, the rapid deployment of revolutionary technologies and the expected expansion of the field far beyond purely financial information mean that auditors can expect their profession to change more than most — and that will mean they'll have to change, too.

In 10 years, auditors will need a number of new skill sets, new competencies and new capabilities, and they'll want to start developing many of them now — whether they're currently in the profession, or are just starting their careers.

To be sure, there are things that won't change: Auditors will still need to bring professional skepticism and technical knowledge to the table, along with a sense of integrity and independence. And the profession will continue to offer them something great in return, according to John King, vice chair of assurance for the Americas at Big Four firm Ernst & Young, whose daughter is studying accounting at Texas Christian University and has just started interviewing with firms.

"I look at this through my daughter's eyes," he explained, "and the basic exchange we have for people who want a career in the profession is still there — you develop terrific skills, you develop terrific experiences, and all you have to do is work hard and want to get those experiences. I think we are in a better position to do that now than we ever have been in the 30 years I've done it. There's a sense of excitement about it. As we look at where we are, there's an underlying vitality to the profession that I hope people see."

One key characteristic of vitality, of course, is growth, and for auditors, that will mean growing beyond their current definition.

"When I think about the auditor of tomorrow, I think part accountant, part technologist, part data analyst, and then throw in a specialty of some sort (whether it be industry, or deeper technology, like cyber)," explained Sue Coffey, the CEO of public accounting at the Association of International Certified Professional Accountants. "We can't be everything to everyone, but we will need foundational knowledge and experience in key areas. And, as business becomes more complex, that will drive specialties. A young auditor will need to think about this."

To get young auditors (and their future employers) thinking about this, we asked a number of experts in auditing to imagine what members of the profession will need to know in 10 years; see their answers below to find out what and who that future auditor will be.

Tech-savvy

It may seem obvious to suggest that future auditors will need to be more than comfortable with technology, but it's going to be so critical to the field that the need simply cannot be emphasized enough. "They need to be extremely strong at technology, and not the wiring, but understanding artificial intelligence and understanding those particular skills," said Al Anderson, founder and president of AccountAbility Plus.

Jon Raphael, audit and assurance national managing partner — transformation and assurance at Deloitte & Touche, laid out a specific set of areas of information technology they'll need to be comfortable with: "Included in that are things like data and analytics — so, managing databases, understanding data acquisition, understanding how to transform the data so that we know that it is complete and accurate, and then how to create analysis from them using various methods, whether it's statistical or algorithm-based in so way, shape or form to be able to turn data into information. And that all starts with understanding the nuts and bolts of IT, how computers work and databases work."

EY's King, meanwhile, suggested auditors will need to have a broader view of technology as well: "I think what is going to be important … is the ability to understand how different technologies serve different purposes and how they work together in a broader ecosystem," he said

Analysts, not just collectors

Much of the grunt work of the audit is going to be automated, and that will mean taking a different approach to data.

"Since technology will bring together data from many different sources, the auditor's focus will not be on compiling the data but on analysis — deep analysis," said the AICPA's Coffey. "Having the ability to slice and dice data to create really meaningful information about the client and industry will become a more regular occurrence."

"From the jump, they're going to have to be really good at not only being a doer of things but being a user of different pieces and aggregator of different pieces of data and information, and being able to synthesize that," added King. "It's going to be incredibly important."

Smarter, faster

It's not just their work in data analysis that will be accelerated: Future auditors will find themselves doing much more high-level work earlier in their careers.

"Immediately, they will use more synthetic skills and more executive skills," explained King. "Part of that is we will be able to move forward their higher-level interactions with clients where they get that really executive experience, whereas it has been pushed back a little bit over the past 10 or 15 years. I think they'll see that much earlier in their careers."

Deloitte's Raphael concurred: "Now there's that hard work the first few years just to get things learned and get the processes done, but we're going to be able to streamline that in a way … such that people are going to be doing way more analysis and way more critical judgment and exercising their professional skills, whether it's professional excellence or professional skepticism, at all levels."

He added that, where possible, the profession might benefit from moving from its current model of training, where entry-level staff perform individual rote tasks hundreds — and sometimes thousands — of times, to something more like medicine's model of, "Watch one, do one, teach one."

Leaders and team managers

Audit teams are a staple of the profession, but their composition will change, as more and more non-accountants are brought on board to add tech and data analysis expertise, as well as deep knowledge of the audit client's industry — and that will require auditors to bring new leadership and management skills to bear.

"It really will not, in my view, rest with 'me,' the one person; it will rest with a team," explained Anderson. "It will be much more of a 'we' or a team orientation. I might not be the data analyst — I might be the one who has all the business acumen — but I'm going to work with someone who has all the data analysis skills."

Raphael highlighted a critical team skill: project management. "Understanding what's important and how to deliver against a roadmap, and through that, to communicate, collaborate and get to an outcome of a complex system of what an audit represents — that is critical, and to me, that comes down to project management and communications," he said.

The responsibility for training those different kinds of managers and leaders will rest with firms, of course.

"We'll develop people very early in their career into managers that can manage folks of all different disciplines on all kinds of different career trajectories," said King. "Those skills are incredibly important, and I think we will become better and more systemic at providing those skills earlier in one's career."

Specialized

In a decade, the point of the audit team won't be to bring together enough warm bodies to handle the amount of work involved, but to make sure all the different types of expertise that are necessary to conduct a high-quality audit are represented. That means each auditor will want to bring their own unique set of individualized skills.

"You need to pick your tranche," said Anderson. "Just like firms can't be all things to all people, you can't be all things in everything that's going to be needed in that skill set in 10 years. You need to pick your path and be darn good at it; whether it be mathematics or algorithms or machine learning or quantum computing or business acumen — you need to pick your path."

"Audit's not just math, it's not just numbers, it's not just GAAP," added Julie Bell Lindsay, CEO of the Center for Audit Quality. "It's non-GAAP measures, it's KPIs that are not based in GAAP, it's understanding climate risk; it's understanding all those different areas — what are the assets that are of value to companies? A lot of it is intangible assets that don't necessarily make it to the balance sheet. It's really all the different areas, not just financial statements and GAAP; it's exploring all these other different areas and all these different industries, which is exciting."

Strategic

The high-level analysis that auditors undertake for a high-quality audit, and the industry experience they bring, put them in a strong position to offer other kinds of value.

"The future auditor will be more strategic," said Erik Asgeirsson, president and CEO of CPA.com. "They'll sign off on the financial statements, but they'll also be providing a lot more business insights to their clients, and enabling their clients by providing more business insights to the users of their financial information, or ESG or other data sets."

"You want to have auditors who can provide those insights and have those discussions with their clients," he continued. "It's the 'and' story that you can be independent, you can have integrity, have competency, sign off on the information, and then provide them business insights. … Do you want auditors to make $50,000 a year, or do you want them to make more money? If they're going to make more money, they'll need to provide additional information on top of just a sign-off on the audit."

Interpreters

Having better insights and deeper analysis won't matter if clients and users don't understand them.

"One thing that will be important is communication in connecting with the clients," said Asgeirsson. "There might be more of that as auditors are moving into more of this business insight area with their clients."

More broadly, Wes Bricker, vice chair and US Trust Solutions co-leader at PwC, sees the auditor of the future as an interpreter helping different communities understand one another: "Technology will allow us to look at the more judgmental areas where we need our best people, our best thinkers, our system-level thinkers who … can translate across domains of knowledge — translating from the financial community to the scientific community, from the financial community to the engineering community, from the financial community to the human resource community," he said. "That's what I hope we see in 10 years."

Diverse and comfortable with diversity

With diversity a critical issue for both audit firms and the companies they're auditing, the auditors of the future will be both diverse themselves, and comfortable working with diverse teams.

"Diversity, equity and inclusion are business imperatives for us," said KPMG's Paquette. "In addition to the foundational skills of financial technical and business process skills, we're also looking at how do we accelerate the skill advancements of our diverse workforce, and how to retain and promote professionals from underrepresented groups, so we're very much focused on upskilling our professionals in areas that we think they need to have for the advancement of the audit, but also making sure that we're bringing a diverse workforce to the table."

"Audit teams will continue to be more diverse and be better as a result, and have different disciplines and different backgrounds," King said. "When you look at the experience that someone will have in 10 years, it will be a much richer experience, for sure, but it will depend on that person's ability to interact with people of different backgrounds and different disciplines, and bring together a team. That's what leadership is about."

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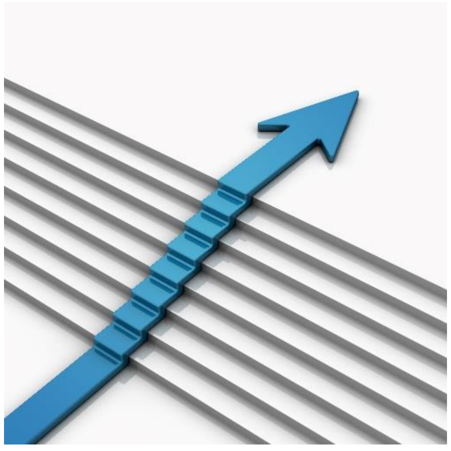

----------- BUSINESS DEVELOPMENT

Five Ways to Grow New Service Lines

By Sarah Johnson Dobek
Inovautus Consulting

As more and more CPA firms venture into consulting services, they will be faced with the question of how they should expand their non-traditional services. Some of the more common service areas include technology, wealth management and specialized consulting services for a niche or industry.

As firms look to these affiliated service lines and entities to be part of their growth, the move often presents some major challenges. Here are a few tips to help avoid or address some of the most common challenges.

Find the right people. Most affiliated services or entities start because a member of the firm expressed an interest or passion and the firm viewed it as a strategic opportunity. Technology is a great example. While the idea may have started with a CPA firm member, most firms often find that CPAs aren't the best people to run that part of the business. There are many reasons for this, but it really boils down to not having the right training or mindset. CPAs are trained to do something very particular and much of a firm's consulting services and affiliated entities will ask CPAs to go against all their training. Finding the right people to lead and deliver services is critical to its success. When you study the firms that are diversifying successfully, they don't usually have CPAs running their groups.

Manage it differently. Probably the number one challenge I see and hear revolves around management clashes between the affiliated service line or entity and the firm. Firms want to manage these groups in the same way they manage their CPA firm, but that model won't always work. CPA firms are often highly leveraged. In some fields that works, but in other areas, like consulting, it doesn't. While some leverage is possible, it cannot be nearly as leveraged as most accounting firms. Recognize that you may have to manage this area differently. It doesn't mean you can't expect results and profitability, it simply means the normal key performance indicators and benchmarks might be different.

Pricing. In almost all cases, pricing must be more transparent. Time and billing rarely go over well in non-traditional areas. How you price your work will change and the firm must come up with a standardized approach to the way it bills its time. Check out our blog posts on pricing here and here for more on this topic.

Selling. Many of the services being provided are either not recurring or are only partially recurring. The primary exception might be wealth management services. Selling is going to be an important part of your growth. Referrals alone won't be enough because you will constantly need to replace revenue, especially when you start consulting. Having a dedicated sales professional or a mix of people comfortable in more proactive sales efforts will be important.

Marketing. HOW you market and WHERE you market may also change depending on your marketing. Customized approaches should be taken to understand your markets. For example, how and when someone buys technology services is different than how and when they buy tax or audit services.
While none of these are fail-safe considerations, we've identified these areas as the ones making the biggest impact in firms that have thriving, affiliated entities and services versus ones that are struggling.

Four Ways to Propel New CPAs into Growing Your Firm

It's no secret most accounting firms are facing partner succession and will continue to do so for years to come. The most common area of concern is how to involve new CPAs in your firm's growth activities.

The short solution is young staff members should be involved in anything that will help them learn the business and develop the skills they need to lead one day, whether that means the partner track or some other role. It's never too early to start. In fact, immersion should be expected from the first day they walk into the firm.

Here are four instant and easy ways to get your young people involved in the business:

Bring Them With You to Prospect and Client Meetings

We learn a lot by observing other people in action. When you invite a staff member to shadow you, their role is to watch and learn. Giving inexperienced staff access and exposure will help them become comfortable in similar situations.
The time will also allow you to have high-level conversations about the business. The ride back to the office is a great time to debrief with the young staff member about meeting specifics and talk about the foundational aspect of relationship building. If you engage your young professionals in these situations early, they will be able to run meetings with poise and confidence independently when they hit the manager level.

Ask Them to Write

Writing is a great way to get young team members involved in your firm's marketing and growth efforts. The process forces professionals to learn the valuable skill of communicating what they do in layman's terms.

We all know partners struggle to find the time to write, so this is a perfect entry point for those on the management track. As a bonus, it also creates an opportunity for partners and young staff to work together on a project.

Ask your seniors and supervisors to write one or two articles per year. An easy place to start is with a how-to or FAQ-type article. Ask your writers to focus on a common question they get from clients or a frequent conversation. Another idea is to rewrite an existing article. This option is ideal if you have access to technical updates that can be translated into plain English.

Get Them Involved in social media

Junior staff members probably are more comfortable and knowledgeable about social media than most partners. They can increase your firm's digital visibility by training those less comfortable in the social media world.

Another option is to task them with taking an active role in your social media initiatives. Reasonable goals include growing your firm's networks, conducting research for prospect meetings and finding relevant content to share through your channels. Partners must maintain social media oversight, so ensure you have a process to review their work.

Involve Them in Cross-selling

Your younger staff is in most of the day-to-day client work. If you begin by teaching them about the business – and the opportunities to grow that business – they're in an amazing position to help you identify valuable cross-serving opportunities.

Begin by choosing no more than two focus areas. Teach your staff about what to listen for or how to identify opportunities. Don't ask them to sell anything. Simply ask them to bring any opportunities they see directly to you. From there, you can then assess the opportunity and decide if and how to bring it up with the client. The key here is not to reprimand the staff member if they misread a situation or misfire on an opportunity. Instead, take the opportunity to reteach misinterpreted situations and encourage them to try again when an exploration doesn't pan out!

If you make the mentor-mentee relationship a positive experience, the process will yield great results before you know it. Remember, practice doesn't necessarily make perfect, but it does mean progress.

Involving your young CPAs early, often, and in the right situations will help you pivot with confidence.

Sarah Johnson Dobek is President and Founder of Inovautus Consulting, a national consulting firm that develops strategies, programs, and training designed to help accounting firms grow faster and in the right direction.

----------- HUMAN RESOURCE

Burnout-busting strategies for busy season

By Wayne Chang

Stress and busy season go hand in hand — a natural part of life for an accountant. But accountancy is no longer in the Stone Age: Greater mental health awareness and new technology can aid how accountants prepare for the big grind.

Accountants need to think outside the box and dig deeper into their workflow to ease pressure during busy season. Here are a few unique strategies that those in our industry should consider to avoid burnout.

Recognize that clients feel the burnout too

You are not alone facing the looming deadlines. Acknowledging this is key to helping yourself through tax season stress. Clients feel burnout during tax season too, and being hunted down by an accountant is not fun for them or for you. This point of commonality can motivate both accountants and clients to work proactively to prepare for tax season and avoid the friction that causes burnout

Aligning with clients on all information and documents is needed long before the busy season sets in, and it's important to remind clients that early action is the best way they can avoid unnecessary stress and chaos. To sweeten this interaction, consider sending clients a small gift — tasty treats or snacks are perfect; avoid calendars or anything with more numbers — to ensure your early request for tax documents is remembered with a positive association. This doubles as a client retention and relationship-building experience with clients.

Use deadlines and deferrals strategically

Particularly for larger teams and big firms, weigh the pros and cons of deferring filing taxes. There's certainly a cost to this option, especially by creating a new set of deadlines and potentially a second busy season for the team. However, depending on the client, more time to compile documents may outweigh the downside of a longer season.

On the flip side, your team may be considering strategic tactics to increase benefits for clients, such as tax harvesting. If this is the case, long-lead foresight and airtight planning is essential to avoiding burnout. Plan these strategies and request the necessary documents before the end of the year and long before April 15 to ensure everything runs smoothly.

Find places to automate your process

When smaller stressors begin to accumulate, busy season starts to become unmanageable. The accounting profession still operates using manual processes, but in 2022, technology exists to help eliminate some of those smaller stressors. Automation is critical to reducing burnout in accounting.

This doesn't necessarily mean overhauling your workflow with new software. Start small at first. Your email autoresponder, for example, can help set expectations and boundaries with clients about your availability. Set up an auto-respond message early in Q1 to introduce reminders to clients every time they communicate with you. This will set the expectation that you'll become less and less available as April 15 approaches — you can even incorporate key document deadlines as part of this message.

Accountants can also get bogged down with requests for status updates — frequent calls and questions from clients add to the anxiety accountants feel during busy season. Consider creating an online portal for your clients that can automatically communicate to clients and manage their expectations, keeping you focused on your primary tasks

Managers, take the lead

It's also important to look at problems within your team if you're starting to feel burnt out. Remember, a well-run team shouldn't experience burnout and managers are responsible for ensuring their team does not burn out. Managers, take responsibility for your team's mental health. Spend extra time with your team-building preparation and client document intake communications before the busy season starts to make sure everything doesn't happen last minute.

Of course, every team has different needs; independent or smaller accounting teams may apply these strategies differently than Big Four accountants. Regardless of team size, thorough preparation will reduce errors, lessen your liability, and ensure the entire accounting machine runs smoothly and does not burn out.

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