

المجمع الدولي لعشبي المحاسبين القانونيين

The International Arab Society of Certified Accountants (IASCA)

عضو في طلال أبوغزاله فاؤندينشن  
Member of TAG-Foundation



# IASCA Newsletter

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**YOUR GATE TO ACCOUNTING, AUDITING AND CODE OF ETHICS**



## The World to Where? with Talal Abu- Ghazaleh

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To watch the full interview, please [click here](#)



## A Clean Environment for Smart Living “Pandemic and Environmental,” Two Crises Shape One Threat!

Talal Abu-Ghazaleh

There is no doubt that Global Warming is the biggest threat, our world is facing today due to its impact on the environment. With Global Warming, both Poles are warming quite quickly, causing the ice to melt that will lead to the increase in the water level and in turn causes changes to the topographic map of the Earth.

Tackling the “disturbance in the purity of the environment” and the relationship between the environmental damage and the earth inhabitants who prioritize their interest over the environment’s, is a pressing subject nowadays which makes us worry about the future of our world as we witness the negligence by officials and stakeholders in controlling bad practices to the level of threatening our own existence on this Earth.

And, we might as well, while discussing the inevitable “threat of climate change”, recall what I said a year and a half ago about environmental threat. As we today face another threat, the corona virus, many compare the urgency of each, and where do we need to place our focus.

Bill Gates, the knowledge leader’s known fight against the two threats warns of the human-made environmental catastrophe. “Climate change is a bigger disaster for the world than the Coronavirus that caused huge losses to the global economy. As awful as this pandemic is, climate change could be worse.” He said.

In an article I published in May 2019, I indicated that the world has taken several measures to address the coming “environmental threat”. But they are merely remedial and might only slow the impact of this threat through stopping the use of pressurized liquids and replacing the non-degradable plastic with paper materials.

The striking reality is that we are facing an immense problem that the world can no longer ignore. More frightening is the difficulty of finding the right solutions.

Our daily life, simple or complex as it may be, has adapted to the huge quantity of modern tools produced by factories around the world. Giant industries and their massive produce, are the main cause behind such a problem, mainly dangerous gas emissions that destroy the environment.

This week, I was interested to read a statement by Bill Gates comparing between the losses caused by the Coronavirus and the expected losses from the climate change and global warming. He said “The mortality rate of Coronavirus is at about 14 deaths per 100,000, while the mortality rate due to rising global temperatures is expected to reach the same within the next 40 years and will increase about 5 times by the year 2100.



Gates’ words confirm what I said earlier. It may help resolve two issues: First, debunk the “conspiracy theory related to the Coronavirus,” particularly the claim that he stands behind it” and that he wants to “depopulate 15% of the Earth’s population by vaccinating them”.

Second, is his assertion that we are facing an environmental crisis which is as dangerous as the corona pandemic, except that the first, the environmental issue, is of our own making.

Societies around the world must understand that we need to protect the environment, despite resulting possible profit loss caused to greedy industries. Remember what the German “Volkswagen” company did to the environment in the emissions-cheating scandal which led the company to be persecuted and pay billions of dollars in fines for its intolerable crime.

How can this be corrected! when the US President himself even denies the existence of the problem, considering it a Chinese invention made to harm American industries. The US withdrawal from the Paris Climate Treaty has been cause of major concern, indeed worry, to the rest of the world.

The withdrawal put all of us in front of a game of interests and profit protection, which was revealed right after, in the shape of warnings published in the US and international newspapers. “The world will end in 12 years” warned US House of Representatives



member Alexandria Ocasio-Cortez, if the danger is not adequately and seriously addressed.

The causes for this “environmental threat” are well known, and so are the causes for this “pandemic threat”. We need to activate the United Nations International Standards of Accounting and Reporting (UN ISAR), which I was assigned to lead in 1999 by the UN Secretary-General where we placed for such a purpose “Accounting Standards for Environmental Responsibility.”

Some of these Standards were mentioned during a seminar entitled “Environmental Supervision

in the Arab World” held within the activities of the World Economic Forum, in Jordan in 2019. Activists discussed the importance of “protecting the environment,” by curbing everything that could harm the “climate balance,” focusing on renewable energy, the gradual abolition of the traditional polluting energy, and spreading the culture of the importance of “waste recycling”, in addition to others.

Finally, it is time to support a team of “Artificial Intelligence Experts (AIE);” to create smart solutions that would reduce the impact of harmful industrial exhausts, making them non-toxic under the slogan “A Clean Environment for Smart Living.”

## ‘Abu-Ghazaleh’ and International Arab Society of Certified Accountants Hold ‘Fraud in the Time of Corona’ Seminar

AMMAN - The International Arab Society of Certified Accountants (IASCA), in cooperation with Talal Abu-Ghazaleh Knowledge Forum (TAG-KF), held the second digital seminar within the series of Challenges of the World Economy seminars, entitled ‘Fraud in the Time of Corona’; hosting Mr. Hossam El Shaffei. El Shaffei is a member of the Board of Trustees of the Internal Audit Foundation at the Global Institute of Internal Auditors and Chairman of the Board Higher Education Committee at the Association of Certified Fraud Examiners (ACFE).

During the session, El Shaffei explained that intentional fraud is different from unintentional mistakes. He identified three main types of such fraud including: Misstatements arising from fraudulent financial reporting, fraudulent data arising from misappropriation of assets and corruption.

According to El Shaffei, three key factors could collectively lead to the occurrence of fraud: pressure for committing the fraud, opportunity and logical motivation.

Furthermore, Mr. El Shaffei referred to different ways of fraud, especially in the time of corona, most notably, the electronic fraud (Cyber fraud), supplier-salespersons’ fraud, as well as fraud in healthcare and insurance sectors.

Mr. El Shaffei stressed that the higher management and boards of directors are responsible for applying corporate



governance and developing effective fraud control systems, noting that fraud is one of the challenges facing enterprises and sectors that badly affects performance, causes loss of money and resources and harms the facility’s reputation and competitiveness.

He also indicated that the resulting damage could have forms other than financial loss; as loss could also affect the enterprise’s performance, reputation, credibility, and investor confidence. All of that requires the administration to create anti-fraud programs and policies, he emphasized.

El Shaffei believes that fraud is an illegal activity characterized by deceit, concealment, or violation of trust, and are not the result of threat of physical force or violence. The motivation behind these crimes he said, is financial greed: obtain more money or avoid losing money, gaining property, or services or securing personal or business advantage.

He pointed out that that Association of Certified Fraud Examiners (ACFE) is the world’s largest anti-fraud organization and the premier provider of anti-



fraud training and education. Together with more than 85,000 members around the world, the ACFE is reducing business fraud worldwide and inspiring public confidence in the integrity and objectivity within the profession.

Concerning the Institute of Internal Auditors (IIA), El Shaffei noted that it is an international professional association and the internal audit profession's global voice, whose members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security.

This seminar comes as part of a series of specialized dialogue talks organized in cooperation between IASCA and TAG-KF entitled 'The Challenges of Global Economy' which will conduct in a live broadcast through the Forum's Facebook page to highlight the

most critical global economic challenges, discussions and dialogue with experts from the public and private sectors locally, regionally and internationally.

The seminars include educational and awareness lectures in various economic,

The International Arab Society of Certified Accountants (IASCA) was established as a non-profit professional accounting organization on January 12, 1984 in London - UK and was officially registered in Amman on February 24, 1994. IASCA aims to improve the science of accounting, auditing and other related subjects at the international level, as well as to maintain the professional independence of accountants, ensure their protection and apply professional supervision standards as means of upgrading the accountancy and auditing professions.

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## Training Courses for August 2020

AMMAN - The International Arab Society of Certified Accountants (IASCA) held a digital training course titled "Significant Modifications on IFRS 9 (financial instruments)" through Microsoft Teams app.

The training course aimed at introducing the requirements of IFRS 9, financial instruments, that supersede IAS 39, as well as providing an in-depth analysis of IFRS 9, financial instruments, through providing several examples and illustrative graphs to explain the business model and test the properties of the cash flow in terms of classification of financial assets, amortization cost, measurement of fair value for financial assets and financial liabilities, and derecognition of financial assets.

Moreover, the training course introduced the requirements of the international recognition of financial instruments, along with the classification, measurement, and the subsequent measurement of financial instruments on the date of financial



statements. The course addressed the recognition of gains and losses arising from the evaluation of financial assets and the required disclosures. A comparison between the requirements of the new standard and the requirements of IAS 39 was also conducted. At the end of the training course, participants who received certificates of attendance affirmed that the training course matched their practical needs and requirements.



## IACMA Examination Results of July 2020 Announced

AMMAN - The International Arab Society of Certified Accountants (IASCA) announced the examination results of the International Arab Certified Management Accountant (IACMA) certificate, July 2020 session.

A number of students sat for the IACMA exams from around the Arab world, 55% out of them successfully passed the exams.

It is worth mentioning that IASCA started holding the IACMA examinations twice a year as from 2015, under which two sessions are being held in April and October.



IASCA congratulates the students who passed the exams and wishes success in the next cycle to those who did not.

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## Controls for Providing Internal Audit Services

**By: Ala' Abdel Aziz Abu Naba'a - Kuwait**

**Expert in Internal Auditing, Control, and Governance**

### Introduction

The International Professional Practices Framework (IPPF), issued by the Institute of Internal Auditors - IIA, defines internal auditing as follows:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

As shown in the definition, internal auditing activities (whether performed by internal employees or consultants from outside the entity) provide two main types of services relevant to governance, risk management, and control processes in the entity:

1. Assurance Services: An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization.
2. Consulting Services: Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization’s governance, risk management, and control processes.

In the latest update on the internal audit standards in 2017, a new standard was added,

which is standard No. 1112, Chief Audit Executive Roles beyond Internal Auditing. This standard indicated the possibility of providing services outside of internal auditing, such as the responsibility for compliance or risk management activities.



In this article, I will explain the controls included in the IPPF for providing various internal audit services, which could also be used in the preparation and implementation of the Quality Assurance and Improvement Programs (QAIP) in accordance with Standard No. 1300.

Factors affecting the service request from an internal auditing activity

Factors affecting the services request from the internal auditing activity are as follows:

- The executive management, the board of directors, and the audit committee level of confidence in the internal auditing activity.
- The magnitude of the entity, the level of complexity of its operations, and the level of diversification of the knowledge, experience and skills of the employees.
- The existence of material changes in the risks to which the entity is exposed to, due to internal or external events.



- The occurrence of material changes in the work of an entity due to certain events, such as mergers, operation of new production lines, or launching of new products.
  - The results of the previous audit tasks, and the repetitions of negative comments without completely addressing the root causes of such problems.
  - The results of the work of the external regulatory bodies and the internal control departments.
  - The competencies of the internal auditors (practical experience, scientific knowledge, and skills).
7. Setting and documenting a work plan for each audit engagement, which includes the important objectives, the scope, timing and the resources allocated for this plan;
  8. To ensure that the scope of the engagement is adequate to accomplish its objectives;
  9. To ensure the determination, analysis, assessment and documentation of the adequate information to achieve the objectives of the engagement;
  10. Accomplishing the audit engagements with proficiency and due care.
  11. To ensure that the audit engagements are subject to adequate supervision to achieve its objectives, ensure its quality, and develop the skills of the team;
  12. To ensure that the results of the audit engagement are reported to the appropriate parties, then seek to set and maintain a control system that responds to the results that have been reported;
  13. Seeking to report to the appropriate managerial level about the acceptable and the unacceptable risks;
  14. Setting and maintenance of a program to ensure and enhance quality. This program should include internal assessments (an ongoing control for the performance of the internal auditing activity and periodical self-assessments, or assessments that are performed by other personnel from the entity) as well as the external assessments (through performing a comprehensive external assessment, or a self-assessment that is accompanied by an external independent assurance).

## Controls for Providing Internal Audit Services

### I. General controls for providing internal audit services:

The following is a summary of the most prominent general controls relevant to the provision of internal auditing services (regardless of their classification - assurances or consulting, etc.) in accordance with the IPPF:

1. To maintain objectivity (an unbiased mental attitude that allows internal auditors to perform audit engagements in such a manner that they believe in their work product and that no quality compromises are made), and avoid conflict of interests (competition between professional or personal interests);
2. To obtain full understanding of the reason of performing the audit engagement and what the entity aims to achieve;
3. To obtain an appropriate consultation and assistance if the internal auditors lack the needed knowledge, experience, skills, and other competencies to implement the audit engagement, partially or completely, or even to reject the engagement;
4. The disclosure of anything that hinders independency or objectivity;
5. The prior determination of the adequate and appropriate resources to achieve the important objectives, taking into consideration that the potential benefits should exceed the costs of performing the engagement, then making sure that the internal audit resources are appropriate and adequate and will be employed efficiently;
6. To coordinate with and study the possibility of depending on the work of external and internal bodies that provide assurance and consultation services in order to guarantee the proper coverage and avoid the double efforts;

### II: Controls for Providing Assurance Services

The following is a summary of the most prominent general controls relevant to the provision of assurance in accordance with the IPPF:

1. Preserving independence (the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner);
2. Refrain from assessing the operations that the internal auditors were responsible for during the last year;
3. Considering the appropriateness and effectiveness of governance, risk management, and control processes;
4. Considering the probability of significant misstatements, fraud, or noncompliance;
5. Defining the purpose and nature of assurance services provided by internal auditors in consultation with the executives and the board of directors, then prioritizing the tasks according to



the results of the risk assessment and the forecasts of the senior management, the board of directors, and other related parties;

6. Ensuring that appropriate measures for the assessment process, governance, risk management, and control are in place (such as the international frameworks, the international standards, applicable laws and regulations for which the entity complies, and the regulations and policies adopted by the senior management). Such measures will be used as a basis to expressing the general comprehensive opinion, and in the pre-agreement with the executive management and the board of directors.

### III: Controls for Providing Consultation Services:

The following is a summary of the most prominent general controls relevant to the provision of consultation services in accordance with the IPPF:

1. Considering the needs and expectations of clients, including the nature, timing, method of reporting, the important results, the complexity level, and the extent of the work necessary to achieve the objectives of the engagement, and the cost of the consultation task compared to its benefits;
2. Using the previous knowledge acquired through accomplishments of consultation tasks in the implementation of assurance tasks;
3. Ensuring that the objectives of the consultation task are consistent with the values, strategies, and objectives of the entity.

### IV: Controls of Providing Services beyond Internal Auditing:

Generally, providing services outside of internal auditing may impair organizational independence of the internal auditing in reality, but the senior management may believe that it is suitable to expand the role of the chief audit executive beyond the internal auditing.

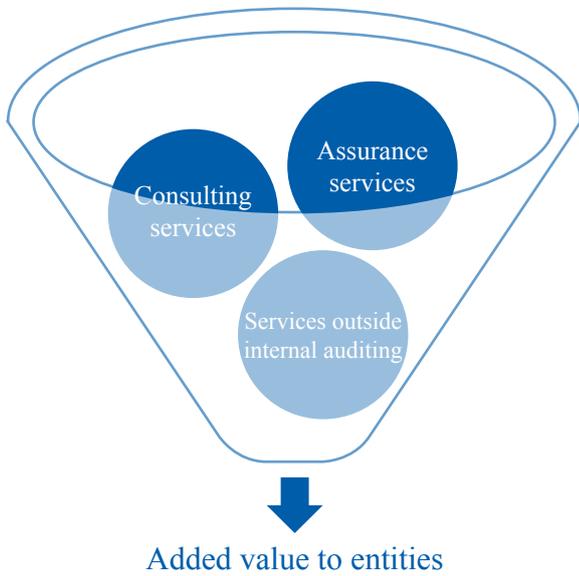
The following is a summary of the most prominent controls relevant to the provision of such services in accordance with the IPPF:

1. The senior management shall ensure that the chief audit executive clearly understands the professional code of ethics issued by the Institute of Internal Auditors, along with the concepts of independence and objectivity, and that

he is able to address the risks arising from the obstacles to independence and objectivity;

2. Discussing the organizational dependency relationships, responsibilities, and expectations relevant to that role, with the senior management and the board of directors. During these discussions, the chief audit executive should focus on the standards relevant to independence and objectivity, and the potential obstacles that may arise from this proposed role, and the relevant risks and safeguards that could be used to avoid such risks;
3. The board of directors shall supervise the mission in order to avoid the potential obstacles that may hinder independence and objectivity of the chief audit executive, and the performance of a periodical assessment of the organizational dependency relationships and responsibilities;
4. If the responsibilities of the chief audit executive, outside internal auditing, are ongoing, the internal audit charter should describe such responsibilities. However, if these responsibilities are short run responsibilities, the modifications to the internal audit charter and other documents may not be necessary;
5. The chief audit executive shall disclose the details of any impairments to independence or objectivity, in fact or appearance, in a manner that allows the board of directors of performing a comprehensive assessment of the risks arising from such impairments;
6. Requesting an external body, outside the internal auditing activity, to supervise the implemented assurance tasks where the chief audit executive is responsible for such tasks;
7. Requesting the external auditor, who supervises the internal audit activity (in accordance with Standard No. 1312 - External Assessments), to provide additional assurance to the board of directors regarding the tasks in which the chief audit executive has assumed responsibilities outside the internal auditing;
8. Including feedbacks in the questionnaires of audit clients and the assessments of the board of directors about the performance of the chief audit executive indicating their opinion about the extent of independence and objectivity of the chief audit executive;





## Conclusion

One of the beautiful quotes of Larry Harrington: “At the end of the day, we’re not paid by the audit report or by the audit finding. We’re paid by how we can make the company better”.

At the end, and according to Standard No. 1000, Purpose, Authority, and Responsibility,

I stress the importance of defining the nature of the services provided through the internal auditing activity in the internal audit charter. The internal audit charter should be written and signed by the chief audit executive, a representative of the board of directors, and the person to which the chief audit executive reports, in accordance with the implementation guides of the IPPF.

## Accounting Tool Available for Governments to Better Understand Impacts of COVID-19 Interventions

NEW YORK- IFAC and the Zurich University of Applied Science (ZHAW), in partnership with IPSASB, have published a tool for governments and other interested stakeholders to apply best practices in public sector accounting when analyzing COVID-19-related intervention programs.

The COVID-19 pandemic led governments to deploy significant interventions to support individuals, businesses, the monetary system, and specific sectors, including healthcare. In view of the unprecedented scale of these interventions there is an urgent need to understand their full current and ongoing impacts on public finances.

The COVID-19 Intervention Assessment Tool includes:

- A step-by-step process and assessment tool to help assess, evaluate and inform various types of government interventions related to the pandemic; and
- An overview of the way it can support the pathway to accrual IPSAS for governments.

“We are seeing another example of where public sector finances are under great stress a result of a major economic shock – but the current pandemic stands out because of its magnitude and global impact. This increases the pressure on countries to improve their accounting infrastructure to support the



tough decisions that will undoubtedly be needed,” said Ian Carruthers, IPSASB Chair. “High-quality financial information enhances government decision-making and supports better outcomes for citizens over the medium and longer-term.”

“Governments with accrual accounting information are better positioned to understand the true picture of their public finances,” said Ross Smith, IPSASB Program and Technical Director. “Understanding the pandemic’s impact on government finances is especially important when considering the need and ability to provide for additional interventions moving forward.”

The supplementary report “Impact Assessment and the Pathway to Accrual” provides high-level insights on the IPSAS adoption and implementation process, and the ways in which the Assessment Tool can support this, while emphasizing the importance that IPSAS adoption occurs within the context of broader public financial management reforms.

*Source: IFAC.org*

## IPSASB Proposes Delay of Effective Dates for Recent Standards and Amendments

NEW YORK- The IPSASB has published Exposure Draft 73, Covid-19: Deferral of Effective Dates, which proposes to delay the effective dates of recently published Standards and Amendments to IPSAS by one year to January 1, 2023. Responding to the global COVID-19 pandemic and the challenges it has created, the purpose of this Exposure Draft is to provide stakeholders with additional implementation time.

The Standards and Amendments which are impacted include:

- IPSAS 41, Financial Instruments;
- IPSAS 42, Social Benefits;



- Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41);
- Collective and Individual Services (Amendments to IPSAS 19); and
- Improvement to IPSAS, 2019.

*Source: IFAC.org*



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