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Financial Reporting Implications of COVID-19



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EDITORIAL

The COVID-19 pandemic crisis and its economic effect means that investors and other stakeholders need high-quality financial information more than ever. To this end, accountancy firms, regulators, IFAC member organizations and others have quickly made available advice and guidance on the accounting and financial reporting requirements that will need to be considered in addressing the financial effects of COVID-19 when preparing financial statements. Many of these resources are conveniently available through IFAC's COVID-19 resource centre. To help consolidate the highlights of this guidelines, a summary of key areas to consider is outlined together with links to key references on the IFAC website.

The 21st century is characterized by a lot of media and electronics to accomplish daily tasks in workplace endeavors. Technology is now flooded in a modern office in this 21st century timeframe.

The office of a modern day accountant or accounting personnel is no different and has a lot of these devices inbuilt with 4th or 5th generation (4G or 5G) technology to accomplish various tasks as reports generation, parameters input and making informed decisions. This calls for the professional accountant to possess 21st century skills to be efficient and effective in their delivery of work. The writer calls on auditors, consulting accountants, practicing accountants and other accounting professionals need to have these critical thinking, creativity, collaboration, communication, information literacy, media literacy, technology literacy, initiative, leadership and be productive to excel in this century for a competitive edge advantage for the companies they operate.

As practitioners have theorized, auditing is a central element of any accountability system. It verifies and legitimizes the information on the basis of which organizations are to be judged. Whenever audits are performed well, they help public institutions to act in accordance with the principles of accountability and integrity, improve their performance and earn the confidence of the Ghanaian citizenry. In the real sense, countries have established national audit institutions to monitor the financial operations and performance of public sector institutions. The writer mentions the role of national audit institutions also referred to as Supreme Audit Institutions (SAIs) in ensuring accountability and proper use of national resources.

The COVID-19 pandemic has brought challenging and tough times. Our lives have changed, both personally and professionally and the world around us has come to a standstill, impacting national and global economies. The accountancy profession has an important role to play to support governments, businesses, and its members as the crisis unfolds. The writer outlines a number of immediate needs to be addressed by PAOs to remain financially viable and relevant to its members and other stakeholders. There are also long-term opportunities that need to be identified now, and acted upon, to be successful in the new environment that will emerge after the crisis is over.

These and many more others are presented in this edition. You may submit your comments and contributions on this edition to: ofori.henneh@icagh.com or abigail.armah@icagh.com

Courtesy: IFAC

IFAC NEWS

IAASB Technical Director update on COVID-19 Response

The International Auditing and Assurance Standards Board (IAASB) published its Strategy for 2020-2023 (the Strategy) and Work Plan for 2020-2021 (the Work Plan), this week (April 15, 2020). We have also signaled our sensitivity to the current circumstances created by the COVID-19 outbreak. The purpose of this note is to update stakeholders on the progress of support material under development and the evolution of our thinking on our Work Plan.

Staff Alerts under Development

A core element of our COVID-19 response is to develop Staff Alerts on several targeted topics to support the application of our standards under current circumstances. Our goal is to support the public interest and the role auditors must play in sustaining trust in financial and other external reporting. We are coordinating with others, such as National Standard Setters (NSS) and the International Federation of Accountants (IFAC) and its Professional Accountancy Organization (PAO) members, as well as engaging with regulators and oversight bodies.

In addition to the IAASB Staff Alert, highlighting areas of focus in an Evolving Audit Environment Due to the Impact of COVID-19, we are drafting Staff Alerts on the following topics:

- Auditor Reporting
- Going Concern
- Subsequent Events
- Auditing Accounting Estimates
- Public Sector Audit Considerations

The Staff Alerts on Auditor Reporting and Going Concern will be issued next and are expected to be available within the next two weeks.

Work Plan

The IAASB is calibrating its efforts to account for COVID-19's impact on our capacity to deliver, and the capacity of our stakeholders to absorb what we deliver. Our comprehensive review of our work program includes an assessment of priorities, upcoming Board meeting agendas, and timelines (e.g., consultation periods and effective dates). We are taking this through our internal processes as well as ensuring that we benefit from the input of the Public Interest Oversight Board (PIOB) and other key stakeholders.

Changes will be communicated with the publishing of individual proposed or final pronouncements. We anticipate publishing revisions to the Work Plan on the IAASB website during the first half of May, after our consultations are complete.

We will continue to adapt our ways of working. The IAASB appreciates the immense constraints and pressure experienced by all. Our thinking about how we can best contribute to the broader financial reporting ecosystem at this time is evolving and we will continue to post updates on the IAASB Website.

IPSASB Issues Exposure Drafts on Revenue and Transfer Expenses

The International Public Sector Accounting Standards Board (IPSASB) has issued three Exposure Drafts, ED 70, Revenue with Performance Obligations, ED 71, Revenue without Performance Obligations, and ED 72, Transfer Expenses.

The three exposure drafts are published together to highlight for respondents the linkages between the accounting for revenue and transfer expenses. The three EDs give new approaches for some of the most significant transactions of public sector entities, including inter-governmental transfers and grants for the delivery of key government services to the community by introducing;

- a. A more straight-forward approach to classifying revenue transactions;
- b. A new model for the recognition and measurement of revenue; and
- c. Guidance on transfer expenses, which currently does not exist in IPSAS.

According to IPSASB Chair, Ian Carruthers, a sound accounting for revenue is crucial for all governments and other public sector bodies. We are confident that the proposed use of the performance obligation approach in ED 70, together with the updates to IPSAS 23 in ED 71, will improve financial reporting for both users and preparers of public sector financial statements.

The aim of Exposure Draft (ED) 70 is to develop a standard that provides recognition and measurement requirements for revenue transactions with performance obligations. ED 70 is aligned with IFRS 15, Revenue from Contracts with Customers, while extending the income recognition approach in that standard to address common public sector transactions which include performance obligations, including those where the ultimate beneficiary is a third party. ED 70 is intended to supersede IPSAS 9, Revenue from Exchange Transactions, and IPSAS 11, Construction Contracts.

The aim of Exposure Draft (ED) 71 is to develop a standard that provides recognition and measurement requirements for revenue transactions that do not have performance obligations. This ED is intended to update IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers) that addresses some of the

issues encountered in its application. Unlike current revenue standards, which classify revenue based on an exchange or non-exchange distinction, ED 70 and ED 71 differentiate revenue transactions based on whether or not the transaction has a performance obligation, which is defined as a promise to transfer goods or services to a purchaser or a third-party beneficiary. ED 71 also provides public sector-specific guidance on capital transfers for the first time.

ED 71 focuses on present obligations that are not performance obligations. A present obligation is a binding obligation resulting in an outflow of resources which an entity has little or no realistic alternative to avoid. A transfer provider may provide resources to a transfer recipient as required in a binding arrangement with an understanding that they will be used in a particular way.

The purpose of the IPSASB's project on non-exchange expenses is to develop new or amended standards that provide recognition and measurement requirements applicable to entities transferring resources in non-exchange transactions. ED 72 proposes requirements for transfer expenses. ED 72 also aims to ensure that the accounting for transfer expenses is consistent with the accounting for the equivalent revenue transactions that the IPSASB has been developing in parallel to its non-exchange expenses project.

ED 72 proposes guidance for transfer expenses, where a transfer provider provides resources to another entity without receiving anything directly in return. A transfer expense is an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other asset to another entity (which may be an individual) without directly receiving any good, service, or other asset in return.

In providing guidance for the first time on the expense side of transactions that may be accounted under the revenue EDs by other public sector organizations, ED 72 includes proposals for transactions with and without performance obligations.

The IPSASB welcomes the views of respondents on the proposed standards and the other matters raised for comment in the three EDs.

Please submit your comments by November 1, 2020.
Source: www.ipsasb.org/publications/exposure-drafts

ICAG NEWS TIT-BITS

The President Addresses Inductees at 1st 2020 Induction Course

ICAG President, Professor Kwame Adom-Frimpong has addressed the first induction course held for graduands who qualified at the November 2019 CA professional examination. The event was held on 12th and 13th March 2020 at La Palm Royal Beach Hotel in Accra.

In his remarks, Prof. Adom-Frimpong stressed that the ceremony marked another important milestone in the history of ICAG to induct newly-qualified accountants and accountants joining the Institute's membership from other affiliate accountancy bodies. As a remarkable event, this represents the symbolic unleashing of a force of qualified accountants who are the future leaders of the accounting profession. He heartily congratulated all inductees for either successfully completing the required qualifying professional examinations or, for meeting all the requirements for admission into membership.

The President remarked that the ceremony was a befitting acknowledgement of their determination and hard work, which they brought to bear on their studies and professional training.

He further explained that the induction course served to officially welcome the inductees to the accounting



profession and aid the effective integration of the new members joining the Institute.

The President stressed that an aspect of the tradition of the Institute in relation to these courses was to provide briefings to inductees about:

- The rich tradition which diligently guide new members into the profession;
- Introduce them to the Chartered Accountant Act 1963 (Act 170);
- Provide insight into the structure and operations of the Institute;
- Discuss the ethics of the profession from the perspective of ICAG and IFAC; and
- Provide guidance on current issues new members will probably face or encounter as professional accountants.

The President reiterated that the Institute believes that people will always make a difference in any endeavour, especially innovative ideas brought in from newly-qualified accountants. Such contributions are always welcomed from any member. Council and management will continually ensure that they provide a conducive platform for members to participate in and contribute to all ICAG activities.

The Institute has been striving to constantly train and equip its members to become thoroughbred professionals, delivering impeccable service with great credibility, reliability and accountability.

The President also informed the inductees about the existence of a code of conduct for members which establishes ethical requirements for all members. Thus, members are bound by the Institute's code of ethics, based on five fundamental principles, namely, integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. This code helps members meet their obligations by providing them with ethical guidance. He therefore urged the inductees to eschew greed, live above reproach and respect all rules and regulations of the accountancy profession in the discharge of their duties as professional accountants. He added that there exists clear and enforceable rules, with zero tolerance policy on all infractions. ICAG has a formal process that enables complaints about its members to be heard, evaluated and where appropriate, disciplinary action is taken.

He emphasized on the Institute motto, Integrity which implies that ICAG welcomes only persons with proven integrity and honesty into its membership. Therefore, the inductees are expected to be persons of strong principles and high moral values for whom honesty and integrity will be a primary objective. This will require them to be honest, candid and forthright

with a client's financial information. Again, they must restrict yourselves from personal gain or taking undue advantage in the use of confidential information. While errors or differences in opinion regarding the applicability of accounting laws do exist, professional accountants should avoid the intentional opportunity to deceive and manipulate financial information.

He charged the inductees to adhere to these guidelines and the five principles previously mentioned. He further reiterated that a distinctive mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Acting in the public interest involves having regard for the legitimate interests of clients, government, financial institutions, employers, employees, investors, the business and financial community and others who rely upon the objectivity and integrity of the accounting profession to support the propriety and orderly functioning of commerce. They must therefore bear in mind that upon joining the Institute's membership, they are duty-bound to make public interest as their ultimate objective.

In conclusion, the President challenged the inductees to uphold the tenets of maintaining peaceful, innovative and harmonious working relationships and make strides that will lead to the growth of their respective organizations and the ICAG at large. He also urged them to initiate creative projects and programs, serve with passion, commitment and a high sense of responsibility. He added that the key expectation from the inductees is to exhibit professionalism and competency in the discharge of their duties.

As they prepare to join the league of chartered accountants, they must resolve to imbibe and continuously exhibit the profession's virtues in and out of their work places. Only by so doing can they hold themselves out as models in the efforts to enhance the socio-economic development of the country.



ICAG partners Graphic Business to successfully organise Tertiary Business Quiz Challenge (Season 2)

The Institute has partnered with Graphic Business newspaper of the Graphic Communications Group Limited (GCGL) and the Ministry of Business Development, to organize the second edition of the Tertiary Business Sense Challenge (TBSC), a quiz competition among tertiary institutions offering business programs in the country.

Undoubtedly, the Tertiary Business Sense Challenge (TBSC) 2020 (Version 2.0) has been adjudged as a huge success. The reviews have been positive, with room for further improvements.

The program was held on Monday, 24th February to Saturday, 7th March, 2020 at the Executive Theatre and Studio B of TV3 network. In terms of organisation, it was a vast improvement from the 2019 edition.

A total of seventeen (17) out of the nineteen (19) invited schools participated in this year's edition. This number is an increase of over 40% of the 2019 figure of 12. The increased number meant there were more contests, more excitement, and an excellent blend of public and private universities.

The participating schools were:

1. University of Ghana
2. All Nations University
3. Accra Technical University
4. Accra Institute of Technology
5. Ho Technical University
6. Ghana Technology University College
7. Kumasi Technical University
8. Bluecrest College
9. Kwame Nkrumah University of Science and Technology

10. Central University
11. University for Development Studies
12. University of Education, Winneba
13. African University College of Communications
14. University for Professional Studies, Accra
15. Wisconsin International University College
16. Ghana Institute of Management and Public Administration
17. University of Cape Coast

Competitiveness

This year's edition was much more competitive than that for 2019. Many more contests were organized because of the increased number of schools; schools had gotten an idea of the nature and type of questions from the 2019 edition and therefore were better prepared; and an elaborate course outline was provided to schools to assist them plan and prepare, unlike the previous year. Finally, schools were generally more interested in this year's competition, as witnessed by the level of involvement of top management and seasoned lecturers of the various schools in the preparation and motivation of the students.

Standard of Questions

Generally, the standard of questions this year was higher than last year. This was because the coverage of questions was much wider with questions spanning fourteen (14) different business areas. This was not the case with the first edition, which had a much more limited focus. There were more standard questions which tested the knowledge of students in all the business areas.

Supporters / Fans

The increased level of competitiveness and interest meant that more people followed the competition online, in studio and on various social media platforms. In some schools, the contests were streamed live for students to watch and cheer on their contestants. On the final day, Kwame Nkrumah University of Science and Technology (KNUST) based students from Kumasi to Accra to witness their contest with the University of Education, Winneba (UEW). The University of Cape Coast was not to be outdone, as they brought vociferous students from Cape Coast to charge up the finals. Some old students from UDS who were in Accra were also there for the same purpose. It was an amazing spectacle!

Interest From Institutions

Leading figures from various schools paid visits to students who were lodging in Accra, aside the high-powered delegations which usually accompanied schools to contests. The Deans from the Business Schools were very much involved in the preparations and participation of their students. In some instances, the Vice Chancellors and/or Pro Vice Chancellors were on hand to offer morale support to their schools.

The TBSC has become an official program on the calendar of most business schools, and they now eagerly await the next edition, hoping and planning to annex the coveted trophy. Bragging rights are at stake! The TBSC, as one of the lecturers remarked, will soon become the most objective basis to rank tertiary business schools in Ghana.

Sponsors And Partners

The Tertiary Business Sense Challenge was organized by Graphic Business newspaper of Graphic Communications Group Limited (GCGL), in partnership with Ministry of Business Development and the Institute of Chartered Accountants (Ghana).

The technical partners were:

- The Institute of Chartered Accountants (Ghana) (ICAG)

- Chartered Institute of Management Accountants (CIMA)
- Chartered Institute of Marketing, Ghana (CIMG)

The sponsors were:

- Accra Brewery Limited
- Twellium Industrial Company Limited
- PricewaterhouseCoopers (PwC)
- Glico Life Company Limited
- CompuGhana

Media Partners were TV3 and YFM.

Clothing sponsor was Sheeda Clothing, located at Tema Community 22 Annex, off the Pink Lady Road.

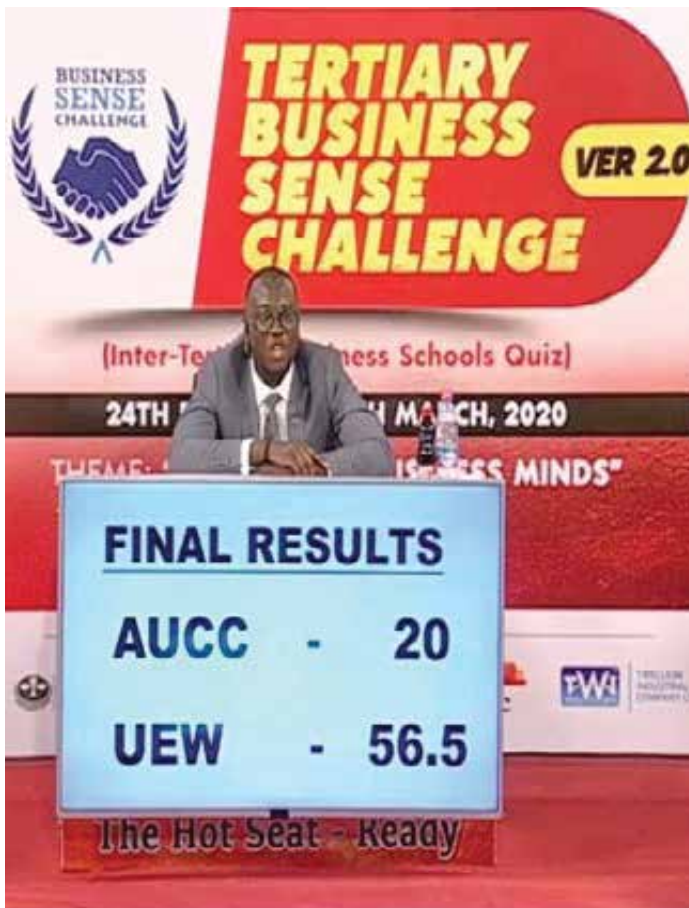
Winners

The final contest featured University of Cape Coast (UCC), the defending champions and University for Development Studies (UDS). UDS put up a spirited performance to beat UCC by 55.5 to 46.5 to win the second edition, and cement their place in the annals of the competition. Prior to the grand finale, a 3rd/4th place contest was organized between Kwame Nkrumah University of Science and Technology (KNUST) and University of Education, Winneba (UEW). KNUST beat UEW to clinch the 3rd place.

Prizes

All students and schools who participated in the competition went home with a prize, including certificates of participation for the schools, contestants and coaches, cash prizes, phones, tablets, laptop computers and a trophy for the winner. Sponsors gave out a lot of souvenirs to the winning schools on the day as well. It was just amazing.

The Quiz Master for the contest was Mr Alhassan Trawule of the Institute of Chartered Accountants (Ghana).



FEATURES

The Accountant and Technology in the 21st Century

Introduction

The 21st century has been characterized by a surge in the harnessing of technological and electronic gadgets for accomplishing daily tasks in workplace endeavours.

What is the 21st century in the first place? It is the era in a timeline starting from 1st January 2001 and billed to end on 31st December 2100. It is also referred to as the first century of the 3rd millennium.

Technology has flooded the modern office in this 21st century timeframe. To say technology, reference is being made to the physical hardware which consists of desktops, laptops, palmtops, digitizers, notepads, personal digital assistant (PDA), smartphones and the internal operating systems, that is the software that run these hardware equipment.

The office of the modern day accountant or account personnel is no different and has a lot of these devices in-built with 4th or 5th generation (4G or 5G) technology to accomplish various tasks such as report generation, parameters input to churn out information required for making informed decisions. This calls for the need for the average professional accountant to possess 21st century skills in order to be efficient and effective in delivering on their work schedules. Auditors, consulting accountants, practicing accountants and other accounting professionals should



By Emmanuel Kofi Ampong

possess critical thinking skills be creative, collaborative, adept at communicating, possess information literacy, media literacy, technology literacy, show initiative and leadership. To top it, they have to be exceptionally productive to excel at providing cutting-edge solutions at work to exhibit the required competitive edge that companies need to operate.

The ever-evolving technology landscape requires that present-day accountants should be smart and proactive because technologies such as artificial intelligence pose a risk to taking over their primary function. Accountants must be adept at using computer software such as the ubiquitous spreadsheet, MS-Excel and its dynamic features to produce smart reports that will dazzle their superiors. This calls for people who are very inclined towards technology, who are willing to face the challenge of learning new skills, fiddle with their machines in order to understand their resilience and capacity and operate these devices skillfully with super productive outcomes that will achieve the desired results.

This article will provide an exposition on the components of modern technology, benefits of technology to an accountant and the ways of keeping up with 21st century technology.

The 21st century is best described as the tech century and if “time is money”, then technology is an accelerant. There are so many benefits to be derived from modern technology by the tech age accountant. Computerized accounting technology has provided robust benefits to accountants and their workplaces. These include:

First, there is a highly level of accuracy obtained with in a reliable timeframe less prone to human error in completing accounting procedures compared to manual accounting procedures. For instance, modern accounting systems are equipped with in-built system functions that easily and correctly convert multiple currencies to the desired presentation currency of a company.

Tomorrow’s accounting, auditing, and finance tasks may differ from today’s and much of the debits, credits and “busy work” will be accomplished using applicable software and robotics to give the accountant access to readily available information for quick decision-making. The hurdle of standards, conventions, and policies in accounting, auditing, and finance-related areas will take the form of in-built software that will provide accurate and relevant information required for decision-making.

With the surge in technological advancements that has also impacted accounting, these have taken the form of cloud computing, robotic accounting known also as Robotic Process Automation (RPA) which mimics human task execution processes. Thus, with these advancements, accounting firms can now operate a virtual workforce with less human interface and more artificial intelligence capable of mastering accounting processes. These developments bring with it the benefit of more income and effective cost containment through the reduction of unnecessary expenses to the company and a shift from time-consuming predictable tasks. This will result in value creation since excellent professional services will be offered to clients and companies with highly levels of customer satisfaction in the long run.

Notwithstanding the benefits that technology will accrue to the 21st century accountant, there are bound to be challenges. This may take the form of tighter regulations and high-tech capabilities of tax regulators. These advancements will call for stricter regulations with the fear that companies could manipulate

these technologies to avoid certain regulations been followed. And tax authorities will be faced with the challenge of locating businesses as accounting firms will be operating virtual offices with minimal physical presence because digitization had taken the world by the storm.

It stands without reason that it behooves the 21st century accountant to develop the needed skills-set to become very useful in this tech-age. The accountant will have to transition from basic information Technology (IT) skills to using all the essential IT tools and strive towards developing higher skills such as basic software programming.

Conclusion

Bottom line, to become a successful and productive 21st century accountant, we need to transition beyond traditional learning of accounting degrees and develop wider skills-set to enable us catch-up with technology. There is and will possibly be the fear of less human interface and for that matter, the fear of becoming redundant in a company as the accounting section might be migrating as a micro-branch of IT in a company. This fear should rather call for the acquisition of knowledge in IT and its changing dynamics to keep up with the times. That done, the accountant will be very useful and more so no matter the level of technological breakthroughs in this tech era.

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The Auditor-General and the fight against Corruption

As practitioners have theorized, auditing is a central element of any accountability system. It verifies and legitimizes the information on the basis of which organizations are to be judged. Whenever audits are performed well, they help public institutions to act in accordance with the principles of accountability and integrity, improve their performance and earn the confidence of the Ghanaian citizenry. In the real sense, countries have established national audit institutions to monitor the financial operations and performance of public sector institutions. These national audit institutions are referred to as Supreme Audit Institutions (SAIs). In Ghana, the national audit institution is the Ghana Audit Service (GAS).



By Julius Opuni Asamoah

Therefore, GAS, as a noble office, is a SAI that subscribes to the International Organization of Supreme Audit Institutions (INTOSAI). GAS is headed by the Auditor-General who is mandated to audit the public accounts of Ghana and all public offices, thus, Ministries, Departments and Agencies (MDAs) including Metropolitan, Municipal and District Assemblies (MMDAs), public corporations, companies and organizations established by an Act of Parliament and report their findings to Parliament. GAS is therefore the monitoring and accountability organ of the state, and the SAI of Ghana. These SAIs are key components of the formal system of financial accountability in many countries. As the institution in charge of auditing government revenues and expenditures, the GAS acts as the watchdog over the country's financial integrity with the mandate to assess whether public funds are managed in an effective and efficient manner in compliance with existing laws. They are also tasked with ensuring that the government's reported financial data is credible and of good quality.

SAIs themselves are not considered anti-corruption bodies as they are not explicitly charged with detecting or investigating corruption. This equally applies to GAS. However, the four core objectives of INTOSAI are highly relevant to the fight against corruption. These are the proper and effective use of public funds, the development of sound financial management, the proper execution of administrative activities and the communication of information to public authorities and the general public through the publication of objective reports. GAS derives its mandate from the 1992 Constitution as well as other acts or laws, especially the Audit Service Act, 2000, Act 584, which established GAS. This Act regulates and contains a number of provisions that specify the audit functions of GAS, including the performance of certain audit tasks. GAS provides audit or assurance services by comparing

economic information with a framework for financial reporting, and to produce knowledge derived from the conduct of audit investigations, which creates the basis for the implementation of corrective actions. In other words, GAS has a commitment to ensure accountability in government finances. It is also empowered to audit the use of public money, resources and assets, the collection of revenues owed to the government or public entities, the legality and regularity of public institutions' accounts and the performance of public institutions in terms of value for money. Based on this core mandate, the GAS has the mandate to conduct three types of audits; financial audits that focus on providing a financial opinion on the annual accounts of public institutions, compliance audits that seek to verify the legality of the transactions made by public institutions and performance audits that assess the efficiency and effectiveness of public institutions' use of resources.

Corruption is the abuse of entrusted power for personal gain or for the benefit of a group to which one owes allegiance. Corruption is a menace that produces detrimental effects on society, democracy and the economy. Whereas it is widely considered a critical issue to be addressed in Ghana, there is no single measure that can curb corruption. Several institutions must work together to fight it. As the watchdog of the country's public financial management, the Auditor-General (AG), the ultimate head of GAS, has a key role to play in efforts to curb corruption in Ghana. In fact, the AG is the guardian of the public interest and often enjoys greater levels of citizens' trust. As such, some scholars argue that this legitimacy position of his should give him the needed impetus to promote transparency and ethical conduct in the public sector. More specifically, the AG can contribute to anti-corruption approaches in two main ways, through deterrence and detection.

Deterrence principle emphasizes that the AG should be more proactive in his functions, in order to recommend practical measures to be implemented, to prevent corruption. The AG should endeavour to create an environment that is unfavourable to corruption. The AG contributes to the prevention of corruption by promoting sound public financial management systems based on reliable reporting and robust control mechanisms, which contribute to support transparency and accountability in the public sector. By contributing to a system of financial checks and balances, the AG should provide the public with information on acceptable standards of financial management, thereby promoting a stronger framework to support financial integrity and predictability of government operations.

As such, the AG can play an important role in raising awareness about the risks of corruption and promoting good governance and standards of financial integrity.

The disclosure of wrongdoing through the publication of audit reports can also have a deterrent effect and discourage public officials from engaging in fraudulent or corrupt practices. However, Mr. Osei-Kyei Mensah Bonsu, the Minister for Parliamentary Affairs has a dissenting view. On 18th December 2019, Mr. Osei-Kyei Mensah Bonsu emphasized that the AG is a tool for Parliament in exercising its oversight responsibilities, and urged the outfit to make its findings and reports available to Parliament, before making them public. Meanwhile, once the AG's audit results have been made public, citizens are able to hold the custodians of public purse accountable. In this way, the AG promotes the efficiency, accountability, effectiveness and transparency of public administration. An independent, effective and credible office of the AG is therefore an essential component in a democratic system where accountability, transparency and integrity are indispensable parts of a stable democracy. While the primary responsibility for the detection of corruption lies with institutions such as the police or anti-corruption agencies, the Ghanaian public expects the AG to play a key role in uncovering malpractices of public servants, civil servants and government appointees. Indeed, auditors are experts in detecting fraudulent financial reporting which can conceal corrupt activities. Falsified statements and claims, illegal bidding practices, tax and customs evasion, overpayment and non-delivery of goods and services as well as malpractice in the liquidation of public companies are some of the fraudulent and corrupt activities that auditors may encounter.

While the AG has limited capacity and authority to investigate cases of corruption, he should be mandated to pass cases on to the relevant authorities for investigations. Some countries, such as Germany, Sweden and the UK, explicitly require their SAIs to report instances of suspected corruption. Corruption may be detected during all three types of audit: financial, compliance and performance. The primary purpose of financial audits is not to detect corruption but to ensure that financial statements are not misleading and reflect an organization's genuine economic transactions. Having said that, inaccurate or incomplete statements can indicate fraud, embezzlement or corruption. This is one of the reasons why people do advocate that the AG must be granted prosecutorial powers to deal with such matters.

In practice corruption is more often revealed through compliance audits, which are designed to ensure the legality of financial transactions and verify that they comply with existing laws, rules and regulations. Breaches of laws and regulations may indicate fraudulent or corrupt activities. Similarly, performance audits that assess the management of public resources can be designed to include some references to laws and regulations and thereby help identify fraud and corruption. Indeed, when a project or programme exceeds its planned costs, it takes longer than expected or fails to achieve the planned results, this could be a red flag and merit further investigation to ensure probity. Public audits can have the potential to reduce corruption drastically, especially in a situation where the AG is entrusted with greater sanctioning powers.

The AG can contribute significantly to improving the efficiency of governmental activities and have a notable influence on the perceived level of corruption in the country. The more extensive the AG's work, the more it contributes to reducing corruption. However, the effectiveness of the AG depends on the extent to which his recommendations are acted upon by the relevant actors, be they the Public Accounts Committee, the courts or law enforcement agencies. Unsurprisingly, this varies widely depending on the context. More recently, an evaluation of government anti-corruption audit programmes aimed at uncovering the misuse of public resources at the local level in Brazil showed that audits can be an effective tool to reduce corruption. They posited that elected public officials may refrain from corruption if they are concerned that audits will increase the probability of their corrupt behaviour being exposed to voters and compromise their re-election. Alongside an adequate mandate, the level of independence the AG enjoys is a key determinant of his ability to counter corruption.

The AG's office is considered to be one of the so called "integrity pillars" of the policy response against corruption. In their professional practices, they contribute to the effective management of public spending, ensure transparency in the use of public funds, financial accountability and strengthen the democratic institutions. Transparency and accountability are important to prevent public sector corruption, while effective auditing helps to reduce misrepresentation and provide assurance for accounts to be trusted. Not only does the AG preach his anti-corruption practices based upon his own volition but international pressures from institutions like the World Bank, the Organization for Economic Co-operation and Development (OECD) and the International Organization of Supreme Audit Institutions (INTOSAI) descend on him to tread that pathway. The INTOSAI,

in particular, which provides a forum for state auditors, has shown a growing commitment to promoting anti-corruption audit practices in SAIs. While the AG shows a growing interest in fighting corruption, his capacity to do so nevertheless remains uncertain, since both his mandate and investigative powers are limited. We should not forget that an effective SAI also relies on an effective Parliament and a free and independent media that can publish its audit findings.

There are best practices in involving audit institutions in anti-corruption work. There are few emerging principles on how to involve SAIs to help counter corruption. These include risk-based auditing, collaborating with other anti-corruption institutions and law enforcement, and engagement with the public, among others. It is therefore appropriately established that the AG should constantly engage the public on matters of anti-corruption and corruption risk assessments. The AG should always play the role of detecting corruption by identifying and monitoring corruption "hotspots". By focusing audit efforts on areas known to be susceptible to corrupt practices, such as public procurement, the AG can assist other anti-corruption players by producing hard financial information.

However, coordination between SAI and other agencies in this part of our world is not always straightforward. The difference in mandates and also the rivalry between different agencies can have significant impact on the fight against corruption. In Ghana, the government intended to lessen the burden on existing anti-corruption agencies and remove the institutional roadblocks that exist as hindrances to the fight against corruption. With the aim of making anti-corruption agencies in the country more effective at discharging their duties, the Office of the Special Prosecutor of Ghana was established by the Office of the Special Prosecutor Act, 2017 (Act 959). This office is an independent investigating and prosecuting body mandated to make inquiries into corruption. Mr. Martin Amidu, the Special Prosecutor, has continuously expressed his dissatisfaction in non-cooperation from other institutions.

Inter-agency rivalry has been a consistent feature of the country's anti-corruption efforts. In Nigeria, for example, the lack of cooperation between different anti-corruption bodies is seen as one of the main problems in President Muhammadu Buhari's anti-graft campaign. The State Audit Office (SAO) of Hungary, for example, contributes to the fight against corruption in three major ways. First, during its audits, the SAO pays special attention to the identification of corruption risks

and takes them into consideration at the audit planning stage. The SAO also compiles summary reports by examining corruption trends, assessing corruption risks and analyzing the reasons for corruption. Finally, the SAO initiates the sanctioning of corruption when evidence is well-established by referring its findings to relevant authorities such as the police or prosecutor's office.

In Ghana, the AG has the power to surcharge perpetrators of financial malfeasance with the quantum of funds involved. However, this practice is not of any punishment since others equate it to a self-granted loan being repaid at the time the surcharge is invoked. In addition to the surcharge, the AG should be empowered to refer suspicions of fraudulent and criminal activities uncovered during their routine audits to the police and other competent authorities. In practice, cross-agency coordination of anti-corruption activities remains weak in Ghana. To address this issue, some countries have established specific coordination bodies and law enforcement agencies. In Bulgaria, for example, the Inter-Ministerial Commission for Coordinating Actions against Corruption has been established, while in Bolivia, this anti-corruption coordination mandate was given to the SAI itself.

To conclude, the office of the AG yearns for improved cooperation with the legislative and the executive arms of government, in order to bring about a significant change in audit outcomes for the better but not to side-

step the functions of Parliament. The office of the AG is well known for its independence, objectivity and professionalism, and consequently enjoys nationwide recognition. Tracing the evolution of government from hierarchical bureaucracy to democracy with multiple stakeholders, the tasks of public sector managers have been transformed from direct control to balancing the interests of the public stakeholders. With this, nothing should be done to compromise the professional independence of the office of the AG.

The stature of the AG is revolutionizing the public sector, seriously changing them from being budget maximizing managers, to being cost-conscious and revenue-hungry organizations. In response to widespread citizen dissatisfaction of perceived corruption in the state institutions, the AG is a professional personality destined for ingenuity and thoughtfulness over a disturbingly poor consequent financial management culture within the public sector. According to Patricia Moreira, the Managing Director of Transparency International, corruption chips away at democracy to produce a vicious cycle, where corruption undermines democratic institutions and, in turn, weak institutions are less able to control corruption. Moreover, it has been found out that more than a trillion dollars are stolen from developing countries every year, which is such a vast sum that it is hard to visualize. It is therefore appropriate to put strings together to help the AG and all other anti-corruption institutions fight corruption in Ghana.

Preparing for the Post-COVID World: Experience of PAOs from the Southeast Europe

Maria Chuvasheva, Jelena Misita

These are challenging and tough times. Our lives have changed, both personally and professionally and the world around us has come to a standstill, impacting national and global economies. The accountancy profession has an important role to play to support governments, businesses, and its members as the crisis unfolds. There are immediate needs to be addressed by PAOs to remain financially viable and relevant to its members and other stakeholders. There are also long-term opportunities that need to be identified now, and acted upon, to be successful in the new environment that will emerge after the crisis is over.

On April 9, 2020 representatives of PAOs from Albania, Croatia, Bosnia & Herzegovina, Kosovo, Montenegro, North Macedonia, and Romania came together and joined a virtual discussion facilitated by IFAC to brainstorm and share their experiences with responding to the COVID-19 crisis. Members of the IFAC PAO Development Committee also participated to observe and to contribute. The conversation focused on three main response areas: operations, provision of member services and engagement with regulators. Representatives of the PAOs shared approaches they have undertaken, challenges they experienced and how they overcame or are overcoming those.

Operations

Most of the countries in the region have been in a lock down since mid-March and have switched to working remotely. It was a challenging experience due to lack of tradition and experience to work remotely as well as the lack of necessary equipment and software. Some of the lessons learnt so far include:

- Maintaining the mental and physical health of staff is critical. When we go back to normal,

which will most likely be a “new” normal, employees’ overall health will be central to surviving. A few approaches undertaken by PAOs in the region include:

- o *allowing maximum flexibility to employees as they are adjusting to working from home,*
- o *ensuring ongoing communication through regular individual and group meetings to engage the staff, and*
- o *providing an opportunity to connect while also thinking through means to keep employees motivated.*
- Investment in software platforms and tools—such as SharePoint, Microsoft Office 365, Zoom, Adobe Connect, Yammer, TeamViewer—is beneficial both in the short and long-term as these platforms and tools will help PAOs increase their effectiveness and efficiency through digitalization of internal and external operations.
- Frequent communication with staff and volunteers are of utmost importance to ensure continuity and effectiveness. Although many PAOs have introduced regular meetings with staff, reaching out to volunteers has not been as effective.

Member services

To remain relevant and financially sustainable, PAOs must find ways to continue to provide services to their members.

- Identifying and providing new services for members of PAOs to help them respond to the

crisis is a priority for PAOs. Such services may include communicating and interpreting new government policies and regulations, ways to access financial aid, consultations on provision of auditing services in a virtual environment, supporting SMPs, among other services.

- Speed of communications is critical in the changing environment. Different forms of communication may include a combination of daily updates on the website, social media profiles, newsletters, news alerts, helplines, webinars, among other means.
- Improving information management practices and incorporating them into daily operations now will help PAOs better fulfill the needs of its members in the future.
- Providing free or reduced-cost services such as webinars, consultations, help-lines and postponing membership dues—will help maintain membership base, especially in cases where membership in a PAO is not mandatory and competition is a factor to keep in mind.
- Assessing alternative ways to conduct exams, CPD. and other learning modules. Possibly surveying members to determine their preferences, effective planning of schedules will help minimize disruptions in examinations and CPD programming.

Engagement with regulators

The profession in the region is mostly regulated at the state level, with governments and regulators establishing “rules of the game”.

In this environment:

- It is important to maintain close dialogue with the government to understand their response and effectively communicate it to the members.
- It is essential to be bold and proactive in offering technical expertise of PAOs and its resources.
- It is imperative to make sure that the government’s response is not only short-term, but a long-term viable solution that takes into consideration the needs of businesses, economies and the profession.
- This crisis presents an opportunity to reconfirm or to establish your PAO as a strategic partner of the government.

And finally, the most important lesson we learned so far—we need to collaborate more, listen to each other more, acting thoughtfully and with solidarity. These are difficult times, but we are in this together and we will get through this—together.

Source: www.ifac.org/publications

5 Key Factors to Enhance Audit Committee Effectiveness

Laurie Tugman, Laura Leka

Corporate failures and scandals across countries, including the recent collapses of Carillion, Patisserie Valerie and London Capital & Finance in the UK, failings in South Africa's state-owned entities Transnet, Eskom, and South African Airways, and the 1MDB scandal in Malaysia to name a few, have all focused political and regulatory attention on the audit profession and also exposed serious corporate governance failings.

The result is increased debate globally on audit and governance regulatory reform. Companies do not fail because of poor quality audits. An audit is designed to enhance confidence in financial reporting, but it does not relieve management or those charged with governance of their responsibilities. Ultimately, corporate failures and the resulting impacts on financial statements are consequences of poor governance and decisions.

Effective governance is underpinned by purpose, vision, values and ethics that are reflected in the behaviours and actions of the board and management team and cascaded throughout the organization. The board in conjunction with management is responsible for setting the tone at the top, shaping the culture of the organization, and setting strategic direction. Organizations need to be proactive in driving improvements in their governance beyond adherence only to minimum requirements.

The board has ultimate responsibility for the integrity and accuracy of the company's financial reporting, which includes ensuring implementation of internal controls over financial reporting, adoption of appropriate accounting policies, and appointment and oversight of independent external auditors. These responsibilities are often delegated by the board to its audit committee. But this delegation does not absolve

the board of its obligations and accountability to shareholders and other stakeholders.

IFAC strongly supports efforts to strengthen and clarify the roles of boards and audit committees in exercising oversight of the statutory audit and financial reporting processes led by management, including addressing perceptions that audit committees are not sufficiently independent of management, or that there is insufficient communication from the audit committee to shareholders.

Effective audit committees are a critical part of delivering trust and confidence in reporting and risk management. However, globally audit committee responsibilities are widening beyond their core financial reporting oversight responsibilities, putting them under increasing pressure both in terms of time and expertise to oversee the major risks on their agenda in addition to fulfilling their core mandates. Often if the board is not directly dealing with a matter or there is not another appropriate committee, by default whatever is left over falls to the audit committee to oversee: for example, cyber security and other technology related matters, as well as risk management beyond financial risk.

Audit committee responsibilities vary widely across jurisdictions, sectors and between companies. It is important to recognize that there is no one-size-fits-all model for audit committees and therefore enhancing their effectiveness will be more dependent on adoption of good practices rather than further prescriptive legislation or additional regulatory scrutiny.

With the input of IFAC's Professional Accountants in Business (PAIB) Committee we have been exploring ways to enhance audit committee effectiveness and have identified five key factors:

1. Audit committee transparency

Increased transparency on how an audit committee has discharged its duties is crucial and enables a more informed assessment of its performance and effectiveness. Many corporate governance codes and regulations include requirements around audit committee disclosure. In addition, voluntary disclosures continue to grow, reflecting that audit committees are responding to evolving expectations of investors and other stakeholders.

But while audit committee reporting may be increasing, the usefulness of disclosures varies. In the US the CAQ 2018 Audit Committee Transparency Barometer, a review of audit committee disclosures by S&P 500 companies, revealed increased disclosure around audit firm appointment, length of audit firm engagement, change in audit fees, and criteria used to evaluate the audit firm. However, decreased disclosure was found around key questions such as:

Is there a discussion of audit fees and their connection to audit quality? 5% of companies included this, representing a continued downward trend since 2014 when 13% included this discussion. Is there a disclosure of significant areas addressed with the auditor? 0% included this vs 3% in 2014. For audit committee reporting to be meaningful, there needs to be strong and candid disclosure of the audit committee's work and key areas of its agenda and discussions. Such disclosure should provide insights on the significant issues the audit committee considered in relation to the financial statements, and how these issues were addressed.

If enhanced reporting by auditors through disclosure of key audit matters is mirrored by the audit committee in their own reporting, this could drive improved audit committee disclosure. It would be unusual for the audit committee not to give their perspective on an issue that the auditor considers a key audit matter. Analysis of audit committee reporting in the UK, shows how disclosure on material financial reporting risk is strongly aligned to auditor reporting on key audit matters.

2. Effective communication

The importance of effective communication flows to and from the audit committee cannot be overstated. This includes written and in person, formal and informal, communication with management, internal and external audit, the CFO and finance function, and the board.

For support in its oversight role, the audit committee relies on:

Meaningful insight from management on emerging risks on the horizon and focused updates on what is happening in the business, moving beyond the basics of what they do to focus on specific challenges, risks and opportunities.

Concise and understandable meeting materials from management, the CFO and finance function, as well as internal and external audit. The volume of materials an audit committee must review can become unmanageable. Written information presented to the audit committee needs to communicate only the most important and relevant information for their attention. Unrestricted access to the auditors without management present, as well as ongoing dialogue with the auditors outside of the audit window, to deal with issues on an ongoing basis and not just at the time of the audit.

Informal communication with management and the CFO between audit committee meetings.

Direct access to teams and departments, including those outside of finance, when appropriate (and ensuring the audit committee does not overstep its governance role).

The audit committee also needs to communicate with the board on how it has discharged its responsibilities. It is not enough for the board to simply 'rubber stamp' reports from the audit committee; there needs to be full discussion and deliberation on key aspects of the audit committee's work and any significant issues they have identified that warrant the full board's attention.

3. Committee composition – including appropriate skills, competencies and expertise

Ensuring the right composition of the audit committee is vital but can be challenging. Requirements vary across jurisdictions, but generally there must be at least one member who is financially literate. This can put a huge burden on one individual if they are the only person on the audit committee to have financial reporting and accounting expertise.

Diversity of experience, perspectives and expertise, as well as industry knowledge are also extremely important, particularly given the widening mandates of audit committees beyond financial reporting oversight. Audit committee members need continuing development and education to help them keep up-to-date on current issues. But often there is no formal

education for audit committee members and even cases where audit committee members have never interacted with auditors prior to joining the audit committee.

Training programs, guidance and other support tools are essential to ensure the audit committee maintains knowledge of relevant developments in accounting and corporate reporting, as well as new technologies and their impact on the business and future of audit. Approaches to ensuring sustained expertise of the audit committee can be varied and include formal training and education, mentoring, and engagement with experts inside and outside the organization.

While the audit committee can rely on outside expertise, it is important that an effort is made to provide continuing professional education in order to understand emerging issues and develop an awareness of best practices.

4. How it gets its work done – efficient and effective ways of working

Audit committee mandates typically always widen, but nothing is generally removed. With increased workload along with increased complexity of risks on their agenda, audit committees need efficient and effective ways of working to ensure they can successfully discharge their oversight responsibilities.

Good practices include:

- Having well-defined terms of reference setting out a clear scope of responsibilities, which are widely understood by the audit committee members, as well as by others in the organization including the board, CFO and finance function.
- Coordination between auditor, audit committee, and internal auditor to prevent duplicated effort, increased cost and poor effectiveness.
- Appropriate frequency and efficiency of meetings with focused agenda that allow sufficient time and attention for in-depth discussion on critical areas, as well as flexibility to add additional items as they arise.
- Producing short summaries to circulate to audit committee members in advance of meetings outlining key areas of focus for discussion.
- Holding a call or prep meeting between the audit committee chair and the auditor before each audit committee meeting.

5. Strength of the finance function

The finance function is responsible for producing reliable and auditable information for external disclosure. The strength of the finance function is therefore critical in supporting the oversight role of the audit committee, which can be severely inhibited by a weak finance function that lacks capacity, expertise or effective CFO leadership. Considerations for the audit committee include whether the finance function is appropriately staffed and resourced, has suitably qualified people in key positions, as well as whether it has support for its continued development.

The audit committee also needs to consider whether they should have a role in appointment of key finance staff and finance function succession planning. The EY UK report *Appointing CFOs for a rapidly changing world: the role of the Audit Committee* suggests that “When it comes to appointing a new CFO, the audit committee chair should be an integral part of the interview process.” Indeed, “It’s a brave CEO who vetoes the audit committee chair’s recommendation.” Much of the transactional work of the finance function including preparation of the financial statements is being enabled by technology, giving the finance function opportunities to improve its productivity, efficiency and effectiveness, and focus its attention on other value adding activities. To meet the future needs and demands of business, finance functions must transform themselves from technical support functions to business partners that enable and support decision making across their organizations.

To maximize the finance function’s value to the business, organizations need mechanisms in place to assess its effectiveness and support its development. Ultimately this responsibility lies with the board but may be delegated to a committee of the board such as the audit committee.

In South Africa, which adopts a combined assurance model, the King IV Code on Corporate Governance recommends that the audit committee should provide independent oversight of the effectiveness of the organization’s combined assurance arrangements, including external assurance service providers, internal audit and the finance function. It also recommends that the audit committee discloses their views on the effectiveness of the CFO and finance function.

Source: www.ifac.org/publications

If You Want to Go Fast, Go Alone. If You Want to Go Far, Go Together: PAOs Across Africa Respond to COVID-19

Sarah Gagnon, Darlene Nzorubara

The African continent was, for a brief time, thought to have avoided the spread of the coronavirus. As the number of cases on the African continent has grown, many governments are taking steps to limit the spread of the disease, including closing of non-essential businesses, issuing lockdowns and curfews, and enacting other preventive measures to enforce social distancing.

The accountancy profession is now facing the impact of this health and humanitarian crisis. Timely and focused response from professional accountancy organizations (PAOs) is crucial and many PAOs are playing instrumental roles to support their members, regulators, and other stakeholders.

In this time of crisis, IFAC, the Pan African Federation of Accountants and the Fédération Internationale des Experts Comptables et Commissaires aux Comptes Francophones are committed to providing support to their members as they transition their operations and infrastructure to the “new normal”. Last week during two virtual regional forums we gathered together over 80 participants from 20 countries to share experiences and solutions for operating during this situation.

Collaboration in Crisis Management: Crisis management during an emergency of this scale can include both an organizational plan as well as participating in national plans.

- Zambia’s business community organized a Business Council COVID Emergency Taskforce to provide the necessary crisis management infrastructure. The taskforce is an alliance of over 30 leaders of large industries, associations, and government. The taskforce has provided a cohesive platform for a coordinated response and synergies across businesses that would not

otherwise come together. The Zambian Institute of Chartered Accountants (ZiCA) has a lead role on this taskforce due to its credibility as a PAO and reputation for financial accountability and strong organizational capacity.

An organizational crisis management plan should include the actions your specific organization needs to do to continue operating, achieve its public interest mission, and mitigate the business impact of the crisis, with safety being a high priority (read more in *Seven Essential Crisis Management Planning Steps for PAOs*).

- Before the national lockdown, ZiCA instituted building protocols with a mandatory contact tracing form for anyone entering ZiCA’s office. If any staff began to exhibit symptoms of COVID, the form could be shared with the Ministry of Health for contact tracing and testing.
- In Mali, the government ordered all businesses close at 2 PM, limiting after work gatherings. The Ordre National Des Experts-Comptables et Comptables Agréés du Mali board is reviewing its crisis management plan to consider how to maintain services to their members. Offering continuing professional development (CPD) is particularly challenging right now since all events have previously been done in-person.
- OEC-Morocco’s board has established a crisis management team. A part of its responsibilities is facilitating OEC’s members’ transition to virtual operations by providing guidance in IT and financial support where needed.
- The Institute of Chartered Professional Accountants of Kenya (ICPAK) created a checklist

detailing legal and business considerations it would need to implement if forced to shift to remote operations, including cybersecurity, staff support, and infrastructure. To ensure business continuity, it nominated deputies for all departments in case a staff member fell ill. It also communicates regularly with the branches outside its main office in Nairobi.

Working Remotely: Working remotely is becoming the norm for many PAOs. Close collaboration between PAO management and board is key to making changes swiftly. However, PAOs noted that the acceleration of virtual work means increased exposure to phishing and hacking. Greater attention and resources are therefore needed to manage the security of IT infrastructure.

- The South African Institute of Professional Accountants (SAIPA) took steps to close its physical offices before South Africa's national lockdown. Before doing so, SAIPA linked its office switchboard to staff's mobile phones such that members calling the SAIPA office are automatically redirected to staff at home to continue providing support.
- SAIPA directors check-in once a week with their team to ensure they have the proper equipment to continue working.
- Ordre National des Experts Comptables et Comptables Agréés du Sénégal has been advising its member firms on IT solutions.
- Many PAOs are utilizing WhatsApp and Microsoft Teams for internal staff communications and Google Meet and Zoom for external meetings and conferences with members and stakeholders.

Extending a Hand to Colleagues: Stress levels are high for business owners and practitioners. PAOs are finding that this is a time for cooperation, not competition, and they need to maintain contact to avoid members feeling isolated. Many PAOs cited the article *We Have to Address Mental Health—Especially Now* as a useful reminder and background.

- OEC-Tunisia and ONECCA-Cameroon have created groups of board members that reach out daily to members to share advice and offer support.
- OEC-Tunisia has also created an online platform that groups together all government-issued support for businesses that face layoffs.

- The Institute of Certified Professional Accountants of Uganda (ICPAU) created an online community platform to support members, which has turned into a social community as well. Via the platform, ICPAU asks members to speak out and raise their hand if they need help.
- ICPAU, together with EY, held a webinar for all practitioners on how to support clients and plan for recovery. It is planning to follow-up with a webinar on mental wellness.

Supporting Students: PAOs do not want students to fall behind during the pandemic.

- SAIPA found that its students did not have enough data on their mobile phone plans to properly participate in projects and class online. SAIPA negotiated and advocated with mobile providers to secure a discounted rate on data packages to ensure students could engage virtually.
- ZiCA is collaborating with universities to provide a virtual university classroom to encourage students to finish courses, ZiCA is also developing a plan on how to proceed with its examinations.

Sharing Reliable Information: With so much information circulating, there can be misinformation and confusion. PAOs are relied on for bringing stability and credibility to information that is shared.

- SAIPA has created a small technical team dedicated to reviewing government regulations and communicating the right information to members and clients. It uses social media and its website to get updates out, especially technical guidelines and support for small- and medium-sized entities (SMEs), and has been working in partnership with the South African Institute of Chartered Accountants.
- ONECCA-Senegal created a WhatsApp group for members that is dedicated to inquiries related to COVID-19. Through the group, ONECCA has been able to quickly share technical resources and FAQs on COVID-19 that address some of the immediate concerns of its members.

Advocating for Support from Government:

PAOs are still working with their governments on support for businesses, especially SMEs, during and post-COVID-19—the relationships have simply become virtual.

- Cognizant that government still needs to generate revenue, ICPAK issued a policy brief with several proposals for Parliament to consider, following work with its membership to understand what would best help them. Based on ICPAK's proposals, the government agreed to reduce the VAT tax from 16% to 14% and created a new tax band ensuring that earnings within that band would not be taxed.
- Similarly, ONECCA-Senegal has leveraged its WhatsApp group to survey members and clients on what support would help mitigate the impact of the pandemic. The feedback allowed ONECCA-Senegal to issue recommendations to the Ministry of Finance and the Ministry of Planning, Economy, and Cooperation.
- In Cote d'Ivoire, several donor agencies have committed funding to support the private sector. Ordre Des Experts-Comptables Cote D'Ivoire has pressed donors to unite funding and disburse funds through national banks that can provide

loans at set interest rates, which better supports businesses.

- In Chad, the government has created its own fund to support businesses. The Ordre des Professionnels Comptables du Chad has offered to manage the fund and encouraged other PAOs to consider how they could strengthen government accountability and public financial management with so many countries mobilizing large amounts of funding to address the crisis.

Celebrating Achievements: Positive news is a relief valve for society right now.

- The Institute of Chartered Accountants of Nigeria is livestreaming its conferment of Fellowship status for hundreds of its members. Members can join in the conferment and follow along and ICAN will send out the materials new Fellows would usually receive at the in-person ceremony.

For additional resource, guidance and advice from the IFAC community on adjusting and managing during this rapidly evolving situation, visit the IFAC COVID-19 web page, which is continually updated.

Source: www.ifac.org/publications

Covid-19 and the Ghana Heritage Fund

Introduction

In difficult times like the one presented by COVID-19, every country goes into firefighting mode with all missiles to combat and defeat the challenge for public good and political capital. Meanwhile, the ordinary business of government continues: salaries need to be paid, goods and services to be supplied and interest expense obligations to be honoured.

The economic impact of COVID-19 on the fiscals and businesses is enormous to be contained within the national budget. Tax revenues (both direct and indirect) will fall significantly, revenue from oil will reduce thereby decreasing the Annual Budget Finding Amount (ABFA). On the other hand, businesses will be adversely affected and therefore, will require stimulus packages from government. These shocks to the fiscal performance of government needs to be contained, as intended by the statement presented by Minister for Finance to Parliament very recently. This again exerts unanticipated pressure on government's budget.

Funding Possibilities

Under the public financial legislations, the Contingency Fund and other funding resources, including budget realignments are open to government for dealing with the COVID-19 challenge.

1. Contingency Fund

The primary source of funding of unexpected events of government is the Contingency Fund under Article 175 & 177 of the 1992 Constitution. In the wisdom of the Constitution, Article 177 (re-echoed by PFM Act 2016, Section 36), events such COVID-19 should be addressed using the resources accumulated in the Contingency Fund. It provides that:



By Redeemer Krah

1. There shall be paid into the Contingency Fund moneys voted for the purpose by Parliament; and advances may be made from that Fund which are authorized by the committee responsible for financial measures in Parliament whenever that committee is satisfied that there has arisen an urgent or unforeseen need for expenditure for which no other provision exists to meet the need.
2. Where an advance is made from the Contingency Fund a supplementary estimate shall be presented as soon as possible to Parliament for the purpose of replacing the amount so advanced.

Undoubtedly, this arrangement would have helped to address the COVID-19 significantly. However,

successive governments since 1993 have failed to build up the Contingency Fund for the reason of lack of funds. In the instant case, the Minister for Finance is proposing the funding for the Contingency Fund amidst the COVID-19, which is rather late. Perhaps, other countries were able to announce huge packages for the combat of COVID-19 out of their contingency funds built over time. Obviously, the country fails to think ahead for a day like this and this is where our problem originates, not COVID-19 per se.

2. Other Sources

The Minister for Finance is empowered, subject to the approval of Cabinet and Parliament, to allocate and reallocate resources of the State within the fiscal framework. In addition, the Minister for Finance is responsible for the general management of the finances of the country. Thus, the statement by the Minister for Finance to Parliament on the impact and implications of COVID-19 asking for realignment of certain resources towards the fight is in order. Accordingly, he made seven proposals to Parliament: recapping the Stabilization Fund, deferment of interest payment, Adjustment of Expenditures, World Bank DPO, IMF RCF, Reduction of Net carried and Participation Interest and finally the withdrawal from the Heritage Fund (MOE, 2020). All these measures except the use of the heritage fund are reasonable and acceptable.

The Ghana Heritage Fund and COVID -19

The Ghana Heritage Fund (GHF) was established under the Petroleum Revenue Management Act (PRMA) 2011, Act 815 and later amended in 2015. The object of the GHF is to provide an endowment fund to support development of future generations when petroleum reserves have been depleted and receive excess petroleum revenue. Thus, the law intends to ensure that the future generation is factored into the use of the petroleum revenues in a sustainable manner.

The PFM Act 2016 emphasizes the importance of generational balance in fiscal policy formulation. Section 13 (1b) provides that fiscal policy shall be developed in a manner that takes into account the impact on the welfare of the current population and future generations. Undoubtedly, moneys in the GHF is not for the current generation but for the welfare of

future generation. The country must learn to provide better lives for the generations yet to come for a better and prosperous Ghana in many years to come. Ghana has already mortgaged the future revenues to huge debts and therefore taking away the little resource dedicated to the future generations will be unfair. The current generations are quick to propose the depletion of the GHF for satisfying current needs at the blind side of the future generation.

Recommendations

COVID-19 is a wake-up call to government to consider the establishment of a Contingency Fund with alacrity, by ensuring that certain amounts are voted annually into the Contingency Fund in a sustainable manner. Special donations should also be channeled into the Fund to increase the capacity of the Fund to meet future unexpected happenings without the need to run to donor partners. This will help government meet any future contingencies with confidence.

In this instance, government is being discouraged from depleting the GHF resources to the detriment of future generations. The depletion of GHF to meet the demands of COVID-19 is not a fair proposal as it works against generational balance principle in public financial management. Government should consider other means of funding COVID-19 that have less implications for future generations. For example, compensation for employees in the public sector takes a significant portion of the revenues of government, thus, asking for pay cuts in the public sector for an agreed period will contribute a lot to the fight of the pandemic. Goods and services and capital expenditure (CAPEX) alone should not suffer the cut, compensation of employees should suffer too. In the midst of the fight, collective effort is need to win as a country.

Writer

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How to Solve Ghana's Economic Problems

Ghana's Vice President, Dr Mahamudu Bawumia on Wednesday, 3rd April 2019 stated at a town hall meeting on behalf of the Economic Management Team that, it is "warped" reasoning for the opposition NDC to say that the fact that there has been a fall in the value of the Cedi necessarily means Ghana's economic fundamentals are weak.

Dr Bawumia said the Cedi's fall was largely due to external factors rather than weak fundamentals of the economy, unlike in his opinion, it pertained in 2014 when he (Dr Bawumia), famously said: "If the fundamentals are weak, the exchange rate will expose you". According to Dr Bawumia, "Factors such as the inflation rate, the balance of trade, the fiscal balance, money supply", are what we refer to as the fundamentals. But speculation and expectations about these fundamentals; external shocks such as oil price increases, can also have powerful short-term effects on the exchange rate. Political analysts keep on asking, are the pressures on the Cedi transitory or permanent? Ghana's main opposition party NDC, reacting to the Vice-President's, presentation, where he assured Ghanaians that the strong macro- and micro-economic fundamentals arising from innovative policies and programmes implemented by the NPP government over the last two years have placed Ghana in a strong economic position. He emphasized that the country's future is very promising, In response, Mr. Adongo stated that, "as I listened to Dr Mahamudu Bawumia deliver yet another inglorious lecture, he was at pains to describe this ineffective and inefficient management as efficient management of the Ghanaian expenditure regime." The NDC's lecture was on the theme: "Ghana's Rising Fiscal Risk, Financial Crunch and External Vulnerabilities. They debunked all the views expressed by the Vice President and described Ghana's economic future as precarious and bleak.



By Julius Opuni Asamoah

Ghana's predicament is not about the ruling party or opposition party. It is not about series of town hall meetings or press conferences. It is about corruption, poverty, civil strife, low productivity, poor healthcare delivery, poor education, unemployment, armed robbery, cyber fraud and poor infrastructure. These are only a few of the problems faced by people in our country. These are the bane of our rapid development but not political partisanship. Many of these problems are caused by exclusion, fear, intimidation, broken infrastructure, mismanagement of public funds and resources, access to information, and blatant stealing with impunity. These are the hard problems to solve but, as Theodore Roosevelt said, "Nothing in this world is worth having or worth doing unless it means effort, pain and difficulty". Theodore Roosevelt was an American statesman, sportsman, conservationist, and writer who served as the 26th President of the United

States from 1901 to 1909, after serving previously as the 25th Vice President of the United States from March to September 1901 and as the 33rd Governor of New York from 1899 to 1900.

Theodore Roosevelt's presidency is distinguished by his dedication to prosecuting a domestic programme that embraced reforms at the American workplace, government regulation of industry and consumer protection, with the overall aim of helping all classes of people. Roosevelt's charismatic personality and impassioned combination of pounding fists and emphatic rhetoric undoubtedly helped in pushing his good political agenda.

Ghana has been blessed with rich natural and human resources, but we are handicapped with strong leadership. Our hunger for a strong leader with full political will, trust and independent power is still not quenched. We openly fail to frown on illegalities caused by key politicians and big guns in society. There is no silver bullet for fighting corruption. Many countries have made significant progress in curbing corruption, however practitioners are always on the lookout for solutions and evidence of impact. Effective law enforcement is essential to ensure that all corrupt personalities are punished in order to break the cycle of impunity, or freedom from punishment or loss. Successful enforcement approaches should be supported by a strong legal framework, law enforcement branches and an independent and effective court system. Reforms focused on improving financial management and strengthening the role of auditing agencies have in many countries achieved greater impact than public sector reforms on curbing corruption.

One such reform is the disclosure of budget information, which prevents waste and misappropriation of resources. Countries which have been successful at curbing corruption have a long tradition of government openness, freedom of the press, transparency and access to information. Access to information increases the responsiveness of government and state institutions, while simultaneously having a positive effect on the levels of public participation in a country. Strengthening citizen's demand for anti-corruption and empowering them to hold government accountable is a sustainable approach that can help build mutual trust between citizens and government. For example, community monitoring initiatives could contribute to the detection of corruption, reduce leakage of funds, and improve the quantity and quality of public services. Communities of like-minded individuals, working together, openly and freely sharing ideas and solutions

to the benefit of others, are all essential if and only if we are determined to fight corruption. More often than not, progress towards a resolution happens faster and the underlying problems are solved better because of diversity. Ghana should be conceived and built around the idea of using openness, collaboration, and the citizenry to build a free resource of information and tools that will help people everywhere to create a better future for themselves. It is envisioned as a resource to identify and surface problems and bring together people to suggest, build, or assist in building solutions. Ghana is still in its germination phase.

As far as we keep on striving to develop, the biggest project at hand is Ghana's economic problems itself, meaning the platform through which the entire country will initiate contributions to solve problems of the people in the country. It will be where challenges are described and where people will seek help. A potential project scenario is that, through the platform, there are innumerable projects that can be potentially undertaken. For example, a recently posted article at the New York Times website had this title, "Hackers Find Ideal Testing Ground for Attacks: Developing Countries". This headline was not a surprise to me. Of course, developing countries would be fertile ground, as they face so many other challenges that digital security would fall by the wayside. While the article pinned the increased threat in these countries on complete ignorance or lack of concern, I think it is really due to poor awareness, education, tools, resources or misplaced priorities.

We need social media experts who can help us publicize the problems we identify, amplify the work being done, and share the solutions we create. The hope is that, as the results of our work reach more people and communities, it will encourage even more people to get involved. We need patriotic individuals who are willing to offer their time and skills. Patriots who enjoy solving hard problems, things that will not always be technically hard, but require creativity and new ways of thinking. We need people from all walks of life and from all professions to help solve our numerous economic problems but not political talks, show-offs, affluence and partisanship. Really, we need people who want to make a difference, people with passion, spirit, and drive and people who wish to leave Ghana in a better state than the one they were born into.

Ghana is suffering from so many serious problems. These are a consequence of the rapid rural-urban drift, a lack of capital to invest and a non-existent, very poor and/or outdated infrastructure. The towns and cities are saddled with collapsing infrastructure. Most of the

towns do not have an infrastructure that is capable of dealing with the massive increases in population. In addition, we do not have sufficient funds available to maintain the little infrastructural facilities, let alone building new ones. Particular problems arise because of the inadequacy of the road and sewerage networks. Pollution of air, land and water is a major problem nationwide especially, in the cities. The drive to industrialization brings with it inevitable problems, especially as legislation to protect the environment is often non-existent or rarely enforced. Just recently, I had an interaction with a British national on Ghana's sanitation problem. I bought into his suggestion that dumping of refuse should be free. Rather, the government can introduce sanitation levy on either consumption or elsewhere. Thereafter, the vulnerable will not subscribe to dumping in water bodies and drains, so far as dumping is free. Moreover, there exist increased volume of traffic on poorly maintained roads. Water supply also becomes polluted due to the activities of illegal mining.

Indeed, shanty towns display most problems typical of our country. On arrival at the city, it is most likely that the migrant will find himself or herself having to create his or her own shelter or live on the streets and in jungles. The shanty towns are likely to be found on inappropriate land. Perhaps they are prone to flooding and earthquake zones increasing the chances of natural disasters. These kinds of livelihood could be on a piece of land that has been badly polluted with filth. The shelters (popularly called kiosks or wood estates) are made of plywood and high population densities increase the risk of fire. The social amenities are predominantly non-existent or incapable of maintaining a basic standard of living. The lack of basic services like clean water supply, rubbish collection and sewerage disposal mean that the risk of disease is very high.

Lack of employment means that people have to look for other ways of making a living. On waste dump sites, children scavenge at refuse sites collecting cans for recycling. As well as being unpleasant, the risk of injury is very high and any cuts will become infected. Drug abuse have also taken a grip on many shanty towns in the cities. One fascinating factor of this drug menace is that they are peddled in the open central parts of the cities. It is extremely surprising to hear public discourse on the legalization of marijuana ("wee" or Indian hemp). It seems we are dissatisfied with the copious natural resources found in Ghana.

Instead of our leadership using these resources efficiently to develop the country, they have been

misused since the post-colonial era. They are lobbying the citizenry to accept the legalization of marijuana, can you imagine? Not far from today, public discourse on gayism and lesbianism will again resurface since they are acceptable in certain parts of this habitable planet. Something which is abhorrent in both terrestrial and aquatic habitats, we are employing all means possible to import them from the developed nations, instead of replicating their expertise, knowledge and actual development in our country. Solutions to any problem are made more difficult by the lack of available resources and the sheer scale of the problems faced.

Challenges in technology transfer faced by developing countries including Ghana is too worrying. A comprehensive action plan should be established as a mechanism to accelerate technology development and transfer. Due to the lack of an open price system, developing countries acquire technology at a price that does not reflect the real market value. The situation is inefficient, especially as developing countries operate on tight finances. Ghana, generally, is technically bankrupt in adopting high technologies. As a people, we have difficulty in understanding technology and utilizing it for the purposes of furthering economic development. We should provide a holistic service for technology and ensure that technology is successfully transferred and effectively applied to our environment. Due to the lack of technology and established investment channels, the country relies on exports of natural resources. These exports bring in minimal returns for the country. Additionally, we often miss opportunities for technological innovation, value addition and profit creation, by so doing we lag behind in the process of globalization.

Considering the current state of the nation, a series of town hall meetings is not the antidote to the rampant economic problems bedeviling us. Demonizing particular individuals of their qualifications, describing people's intellect as pseudo and belittling political opponents cannot transform our nation from the third world status. The citizenry expectation is rapid industrialization by employing advanced technology and halting the old and hackneyed methods of behaviour in this age of modern science and globalized world. This is nothing but technological deficiency that persists in our development practices and low productivity of Ghanaian labour count as the unsurmountable problems facing the current and previous governments.

YOU AND YOUR HEALTH

Six Emerging Health Benefits of Tiger Nuts

Tiger nuts, also known as chufa, yellow nutsedge or earth almonds, are not actually nuts, but rather edible tubers. They are the size of chickpea but wrinkly with a chewy texture and a sweet nutty flavour similar to coconut.

Tiger nuts were once of the first plants cultivated in Egypt and traditionally used as both food medicine. They are rich in a variety of nutrients and have been linked to several health benefits — ranging from better digestion to a reduced risk of heart disease.

Here are 6 emerging health benefits of tiger nuts.



1. Rich in Nutrients

Tiger nuts contain a variety of nutrients and beneficial plant compounds. Their specific nutrient content depends on the type. There are three main varieties of

tiger nuts: black, brown and yellow.

On average, one ounce (28 grams) provides:

- Calories: 103–121
- Fiber: 2–7 grams
- Carbs: 9 grams
- Protein: 1 gram
- Fat: 7–9 grams
- Vitamin E: 278% of the daily value (DV)
- Iron: 13–40% of the DV
- Phosphorus: 9–11% of the DV
- Vitamin C: 2–8% of the DV
- Magnesium: 7% of the DV
- Zinc: 5–7% of the DV
- Potassium: 3–5% of the DV
- Calcium: 1% of the DV

Tiger nuts are also a rich source of antioxidants, which are beneficial compounds that protect your body against aging and diseases like cancer and heart disease.

Research shows that germinating tiger nuts prior to eating them increases their antioxidant content. That said, tiger nuts also contain anti-nutrients, such as phytates, oxalates, saponins and tannins, which can reduce nutrient absorption in your gut. Germinating or roasting the tubers prior to eating reduces their anti-nutrient levels, making it easier for your body to absorb and use the many nutrients they contain.

In summary, Tiger nuts are tubers rich in fibre, vitamins, minerals and other beneficial plant compounds. Germinating or roasting tiger nuts prior to eating them can boost their antioxidant levels and improve your body's ability to absorb its nutrients.

2. May improve Digestion

Tiger nuts may promote healthy digestion in various ways. For starters, they are high in insoluble fibre, which passes through your gut without being digested. Insoluble fibre adds bulk to your stools and helps food

move through your gut easily, reducing the likelihood of constipation. Tiger nuts are also presumed to contain resistant starch, a type of fibre that can feed the friendly bacteria in your gut, helping your digestion run smoothly.

Moreover, tiger nuts may contain enzymes, such as catalases, lipases and amylases, which help break down foods in your gut, relieving gas, indigestion and diarrhoea. Keep in mind that the high fibre content of tiger nuts may initially cause unpleasant gas or bloating. Those interested in trying them should increase their portions gradually.

In summary, Tiger nuts are a good source of insoluble fibre, which can prevent constipation and help your digestion run smoothly. Add them to your diet gradually to avoid unpleasant gas or bloating.

3. May reduce Blood Sugar Levels

Tiger nuts may help keep your blood sugar levels in check. Animal studies show that tiger nut extract may help reduce blood sugar levels. This may, in large part, be due to the high fibre content of the tubers which may slow down the absorption of sugar in the gut. Tiger nuts are also rich in the amino acid, arginine, which may increase insulin production and sensitivity, both of which are important for blood sugar control.

Moreover, test-tube studies show that tiger nut extract may inhibit the action of carb-digesting enzymes in your gut. As a result, less sugar may be absorbed from your gut in a way similar to the action of some blood-sugar-lowering diabetic medications. This is thought to potentially lower blood sugar levels, though more research in humans is needed.

In summary, tiger nuts are rich in fibre and arginine, both of which can contribute to lower blood sugar levels. They also contain compounds that may reduce how much sugar is absorbed in your gut after a carb-rich meal.

4. May improve Heart Health

Tiger nuts may also be good for the health of your heart. That is partly because of the high amount of monounsaturated fats they contain, which give them a fat profile similar to that of heart-healthy olive oil. Diets rich in monounsaturated fats are linked to lower levels of “bad” LDL cholesterol and higher levels of “good” HDL cholesterol. They are also associated with a lower risk of heart attack, stroke and death from heart disease.

What is more, tiger nuts are rich in the amino acid, arginine. Arginine can promote heart health because your body can use it to make nitric oxide, a compound that helps arteries and veins dilate, hence lowering blood pressure. Research also links tiger nuts to better blood circulation and a lower likelihood of blood clots — both of which can reduce your risk of heart disease. In summary, tiger nuts are rich in heart-healthy fats. They may improve vein and artery flexibility and blood circulation, which may reduce your risk of heart disease.

5. May boost your Immune System and help fight Infections

Tiger nuts may contribute to a stronger immune system. In one test-tube study, tiger nut extracts were tested against several types of bacteria that can infect humans. The extract was effective against *E. coli*, *Staphylococcus* and *Salmonella* bacteria.

Another cell study found similar results. The researchers added that tiger nut extracts might also be effective at fighting antibiotic-resistant bacterial infections. However, more studies are needed before strong conclusions can be drawn.

In summary, tiger nuts may contribute to a stronger immune system by fighting infections, including those from antibiotic-resistant bacteria. Yet, more research is needed.

6. May act as an Aphrodisiac

Tiger nuts have a history of being used to boost libido. They are used as aphrodisiacs in Ayurvedic medicine. In addition, men in Nigeria have used tiger nuts for generations to treat erectile dysfunction, increase sperm count and boost libido. That said, few studies have investigated these supposed aphrodisiac properties.

One mouse study showed that tiger nuts helped preserve testicular weight and sperm production following heavy metal poisoning. In a rat study, eating large amounts of tiger nuts for 30 days increased testosterone levels, boosted sexual activity and reduced intromission time between mating sessions. However, there are no studies on using tiger nuts as an aphrodisiac in humans, so more research is needed before any conclusions can be made.

In summary, tiger nuts are used as a natural aphrodisiac in some parts of the world. However, human research is needed to confirm their libido-boosting effects.

How to add them to your Diet

Tiger nuts are very versatile and can be added to your diet in a variety of ways. They can be eaten raw or roasted and tend to be softer and easier to chew when they have been soaked or boiled in water. They make for a tasty snack but can also be used as toppings for a variety of dishes, such as breakfast cereal, smoothies, salads and yogurts.

Additionally, tiger nuts can be mixed in with nuts and dried fruits for an alternative take on trail mix. They may also be ground and used in bread or other baked goods. Ground tiger nuts are a great gluten-free replacement for flour or binder in veggie burgers. In Spain, tiger nuts are used to make a popular plant milk known as horchata de chufa. They can also be turned into dairy-free yogurts and ice cream.

In summary, tiger nuts can be added to your diet in many ways. They can be consumed raw or cooked, eaten on their own or used as part of meals, dairy-free products or baked goods.

The Bottom Line

Although not technically a nut, tiger nuts are an interesting addition to a healthy diet. They are rich in many nutrients, contribute to good digestion and may protect against infections and health conditions, such as diabetes and heart disease. Keep in mind that these tubers are rich in fibre, so those interested in adding them to their diet should do so gradually to avoid any potential and unpleasant bloating or gas.

Source: www.healthline.com/nutrition

TECHNOLOGY CORNER

A snapshot of Artificial Intelligence's dark side: Warfare and bias



Pat Martlew

There is absolutely no doubt that Artificial Intelligence (AI) has already driven — and will continue to drive — some of the world's most fascinating and advanced technological achievements. While AI and Machine Learning (ML) continues to permeate lives of end-users through things like voice-activated assistants and image recognition technologies, these tools have also been incredibly important for the enterprise in a plethora of ways.

However, while the use of AI and ML has led to some major progress, its use is not always free of tribulation. Notably, a few high-profile organizations have come under fire for their use of AI - and the emphasis has been less on the systems themselves and more on how they are being orchestrated and trained, as well as where data is sourced.

One notable example was when Amazon employed a recruiting algorithm that displayed bias against female candidates, as it used data from the resumes of previously successful applicants to assess employee viability, which were mostly men. Another consumer-facing example of an AI system gone wrong was Microsoft's Tay Chatbot, which was trained using the open internet. A noble idea in premise (i.e. using the world's most plural network of connected individuals to train AI mechanisms), but the results were - somewhat expectedly looking back - really disastrous.

To take a deeper dive into these issues, we spoke with Charlotte Walker-Osborn, who is a partner within the commercial group of global law-firm Eversheds Sutherland. Walker-Osborn is a leading expert in AI, automation and technology law, and advises UK and

global corporations on legal challenges posed by major corporate transactions at the cutting edge of technology. In part one of our snapshot of the darker side of AI, we discuss the more controversial uses of AI and whether a truly neutral Artificial Intelligence system is possible.

While technology companies like to market AI as a brilliant, faultless solution to many enterprise and consumer issues, it does have a darker side. What are some of the more concerning ways AI can be used for negative outcomes?

Application of AI to warfare is arguably one of the more ‘contentious’ ways AI can be utilized and there is much talk of an AI arms race, whether by way of building up the best AI-guided missiles, semi-autonomous or fully-autonomous drones, AI-powered combat systems or otherwise (often referred to as Lethal Autonomous Weapons). However, this is a highly complex area that layers use of AI in warfare on top of already challenging questions around warfare and technology in warfare. Frankly, if there are countries who may apply AI for ‘evil’ in terms of warfare, it is considered foolish (by some) not to apply it for defence and for ‘good’. By way of example, AI is highly utilized in cyber defence as well as by the protagonists of cyber warfare.

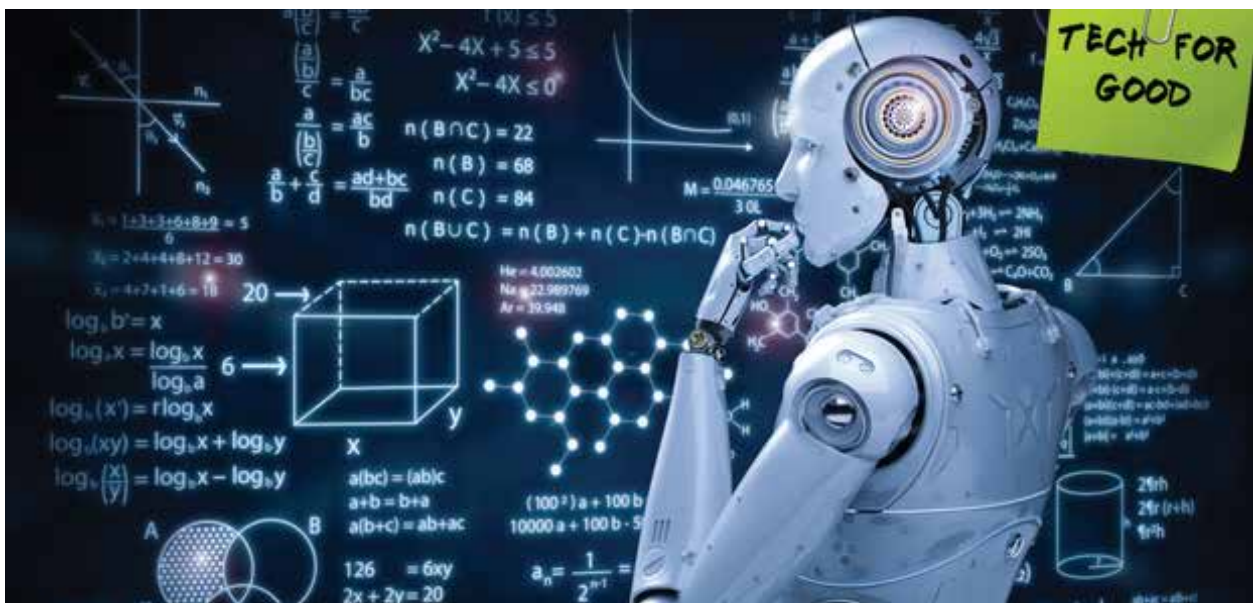
If AI was not applied to defense, countless more attacks would be more successful and this will be the case in the physical warfare as well. This is a highly debated area and there are already a number of ‘principles’ which have been signed up to by many countries positively affirming the need for careful consideration and agreement in this space. For example, the Asilomar

AI Principles (which has thousands of high-profile signatories) clearly sets out that an AI arms race is to be “avoided”. Clearly, there are vast opportunities for economic gain for organizations and for countries who build out this technology and, so politically, it is not simple.

Moving on, perhaps one of the most concerning ways AI can be utilized in a negative sense is where the application of it can lead to bias. We have seen a number of negative high-profile stories in the press around this, including relating to AI influence and outputs surrounding who is more likely to re-offend, vote-rigging, automated decision-making outputs for consumers and more. Human nature means we ‘logically’ tend to assume that results from technology are more objective but, with AI, this very much depends on what algorithm is used, what the AI is trying to achieve, what data is used and how it is applied to that data. Without understanding how conclusions have been reached, the ‘outputs’ of the AI can unfairly sway decisions including relating to healthcare, insurance, mortgages and more.

However, governments, policy-makers and industry are taking the challenges very seriously and we are seeing increasing policy, legislation and guidance around ethical use of AI and increasing calls for transparency and auditability. Of course, the more positive stories tend to be less frequently discussed, such as how AI can speed up important positive decisions around drug-matching, whether you can obtain a mortgage, whether you can use your healthcare insurance and the like.

How is it possible for machine learning or AI technology to develop bias? How is it possible for machine learning or AI technology to develop bias?



Bias can develop at many stages of the process. At a simple level, perhaps the most key is wrongly ‘framing’ what the AI model is being asked to do, ‘collecting’ the wrong data and ‘preparing’ and/or ‘training’ the data/model incorrectly.

Firstly, what are you asking the AI to do? If you don’t ‘frame’ the question correctly, you will not get the right output. You need to apply the right definitions - e.g., if you are asking the AI to ‘decide’ if someone is credit-worthy for a mortgage decision, then you need to apply the right definition for creditworthiness to that decision-making process, or you will get the wrong and biased results.

The next key stage is ‘collection’ of the data. If the data collected is not representative or already has bias in it, then applying AI will only emphasize the issue and the bias. Let us take an example. If you apply AI for recruitment selection for board level roles in the Western world to existing data without careful methodology, it may come up with the highly credible ‘answer’ that it is better to employ men in such roles and even men with names like John and Peter because this is where the current data may take you. Training AI using historical data may therefore not always be helpful or the right thing to do and certainly not without human intervention. That said, if applied in the right way, AI can rather brilliantly extract bias in a way perhaps humans struggle to.

The other key (but not the only other) stage where bias can be introduced is ‘preparation’ of and ‘training’ of data. In utilizing AI to solve problems, you need to select attributes to train the AI model. If the wrong ones are selected, then the AI’s prediction accuracy may be influenced and become biased. Looking back to the recruitment example, if the AI is trained to log that white males over 40 are generally CEOs of highly profitable companies, it may sift out CVs which match these criteria for a CEO role. Or, in the creditworthiness example, if you define that older people are more creditworthy because more have paid off their mortgages or more regularly pay on time, you may be missing the nuance that that may be linked to income (which is often higher as you get older).

Of course, like with any decision-making, it helps to have diversity and there has been calls for a need for diversity in terms of the organizations and people who build and/or train the AI itself. A number of AI tools have come under fire for displaying bias - is it possible to neutralize bias within these systems? Does this indicate that building a truly neutral AI system is currently not possible?

Absolutely. If the right algorithm is utilized in the right way with the right data, right tagging, right training, AI is generally more likely to be less biased than humans. It is critical to have a level of transparency (so you can understand how bias has been neutralized) and auditability (accepting suppliers need to protect their Intellectual Property and commercial advantage). People utilizing the outputs need to be able to understand what ‘problem’ the AI was asked to solve, what data was used, and how the AI was tagged and trained and applied. This is not that different to basic principles around applying statistical analysis.

This is why policy-makers, government and industry are all calling for and producing guidance around the need for transparency, non-discrimination, fairness and accountability in use of AI. In this respect, AI is a topic that is currently under intense international scrutiny. For example, in April 2019, the European Commission’s High Level Expert Group on AI published ethics guidelines for trustworthy AI and the project pilot phase during which organizations can test and assess the implementation of those guidelines is currently underway; in May 2019 the OECD adopted a Recommendation on AI - an intergovernmental standard aiming to foster innovation and trust in AI; and also in the same month the Council of Europe’s Commissioner for Human Rights issued a Recommendation on AI and protecting human rights. In August 2019, the Confederation of British Industry (CBI) published a report entitled “AI: Ethics into practice - steps to navigate emerging ethical issues”. This scrutiny is replicated across other continents. These are all worth looking at and many contain a number of sensible principles and recommendations around the use of AI including the need for human agency/oversight; data governance; transparency; and accountability. Will it ever really be possible to train AI using the open internet - without it picking up controversial and extremist content?

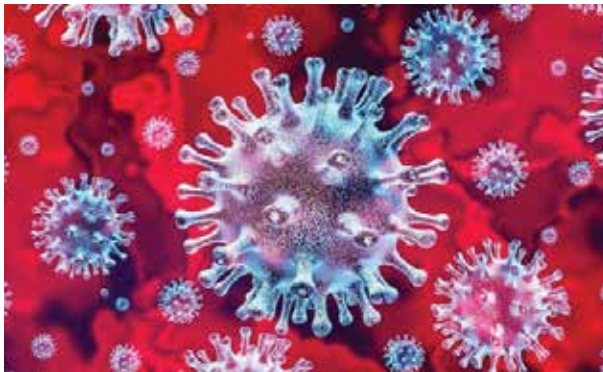
This comes back to ‘framing’ the problem and what you want the AI to analyze and show. If the problem relates to a true snapshot of what is out in the public forums and on the open internet, then yes - provided the right AI is utilized, the data is collected and tagged correctly, and the AI trained and utilized correctly. If it relates to something more nuanced then, arguably, not easily. The internet, whilst fantastic in many ways, clearly attracts a certain subset of information, compared to the full world view, and therefore using data from the open internet is clearly going to give a view of only a subset of that full world view.

Source: www.idgconnect.com

TECHNICAL MATTERS

The Implications of COVID-19 on Financial Reporting

Stathis Gould, Christopher Arnold



The COVID-19 pandemic and its economic effects means that investors and other stakeholders need quality financial information now than before. To this end, accountancy firms, regulators, IFAC member organizations and others have quickly made available advice and guidance notes on the accounting and financial reporting requirements to be considered in addressing the financial effect of COVID-19. Most of these resources are accessible through IFAC's COVID-19 resource centre.

To consolidate highlights of these guidance notes, a summary of key areas considered critical have been outlined below together with links to key references on the IFAC website.

The summary covers both current (2020 FY) as well as future reporting requirements. Some businesses may

first report the financial effect of COVID-19 in interim financial statements (in accordance with IAS 34 – Interim Financial Reporting), which will likely involve the use of accounting estimates. However, for those who choose this route, the reported information must apart from being reliable and relevant to the operations of the business, its impact on the financial position or performance of the organization must be appropriately disclosed. Another difference practitioners must envisage is the approach to preparing the financial statements – i.e. Whether using IFRS or national GAAP

How Should Companies assess COVID-19 Events after the Reporting Period?



IAS 10 Events after the Reporting Period contains requirements for adjusting events (those that provide evidence of conditions that existed at the end of the reporting period) and non-adjusting events (those that are indicative of conditions that arose after the reporting period) need to be reflected in the financial statements. It must be appreciated that amounts recognized in the financial statements are not only adjusted to reflect adjusting events, but also full disclosures are required also for material non-adjusting events.

Judgment is also required in determining whether post end of reporting period events is adjusting or non-

adjusting. This will however depend on the reporting date, facts and circumstances of each company's operations, as well as the value chain. Management may need to continually review and update assessments made up to the date of the financial statements due to the fluidity of the crisis and the uncertainties involved. In the case of the reporting period ending on or before 31 December 2019, there is a general consensus that the effect of COVID-19 outbreak are the result of events that arose after the reporting date (e.g., in the UK, the Financial Reporting Council has stated that COVID-19 in 2020 was a non-adjusting event for the vast majority of UK companies preparing financial statements for the period ended 31 December 2019). For later reporting dates (e.g. February or March 2020 year ends), it is to be a current-period event which will require ongoing evaluation to determine the extent to which developments after the reporting date should be recognized in the reporting period.

Whenever management concludes that the impact of non-adjusting events is material, the company is required to disclose the nature of the event and an estimate of its financial effect appropriately reported. If the effect cannot be reliably estimated quantitatively, it must be qualitatively disclosed, including an assurance and explanatory statement to the effect that it is not possible to estimate the effect. Examples of non-adjusting events that would generally be disclosed in the financial statements include breaches of loan covenants, management plans to discontinue an operation or implement a major restructuring, significant declines in the fair value of investments held and abnormally large changes in asset prices, after the reporting period.

How Should Companies assess Going Concern?

IAS 1 Presentation of Financial Statements requires management to assess a company's ability to continue as a going concern. The going concern assessment must include the date of issuing the financial statements. The assessment must relate to at least the first twelve months after the last balance sheet date, or after the date the financial statements will be signed, but the timeframe has to be extended.

Material uncertainties that cast significant doubt on a company's ability to operate on a going concern basis have to be disclosed in the financial statements. It is likely that many companies (large and small, and particularly in certain sectors), will have issues on the current situation to be considered by management in their reporting. Since a wide range of factors are

to take into account in going concern judgments and financial projections (including travel bans, restrictions, government assistance and potential sources of replacement financing, financial health of suppliers and customers and their effect on expected profitability and other key financial performance ratios) extra care must be taken in undertaking such estimations within a COVID-19 reporting report.

Given the significant uncertainty, disclosure should include only those significant assumptions and judgments applied in making going concern assessments. Assessments will likely include scenarios with varying assumptions which can be updated to take account of the evolving nature of uncertainties.

Management should also assess the existing and anticipated effects of COVID-19 on the company's activities as well as the appropriateness of the use of the going concern basis. However, if it is established that the company should either be liquidated, cease trading, is no longer a going concern, the financial statements must be prepared using another basis, such as a liquidation basis.

Other Significant Effects on Accounting and Reporting to Evaluate?

Throughout 2020, companies will have to review areas of accounts that are subject to judgment and estimation uncertainty. The use of forecast information is pervasive in assessing a range of effects in addition to going concern (including the impairment of financial and non financial assets, expected credit losses, and the recoverability of deferred tax assets).

Fair value measurements (IFRS 13 Fair Value Measurement - FVM)

A change in the fair value measurement affects the disclosures required by IFRS 13.

IFRS 13 requires companies to disclose the valuation techniques and the inputs used in the FVM and the sensitivity of the valuation to changes in assumptions. Disclosures are needed to enable users understand whether COVID-19 has been considered for the purpose of FVM. A key question is what conditions and the corresponding assumptions were known or knowable to market participants at the reporting date. For 2020, fair value measurements, particularly of financial instruments and investment property, will need to be reviewed to ensure the values reflect the conditions at the balance sheet date. This will involve

measurement based on unobservable inputs that reflect how market participants would consider the effect of COVID-19 in their expectations of future cash flows related to the asset or liability at the reporting date.

During the current environment, the volatility of prices on various markets has also increased. This affects the FVM either directly - if fair value is determined based on market prices (for example, in case of shares or debt securities traded on an active market), or indirectly - for example, if a valuation technique is based on inputs that are derived from volatile markets. Consequently, special attention will be needed on the commodity price forecasting that is used in developing fair value conclusions.

Impairment of non-financial assets subject to the requirements of IAS 36 Impairment of Assets. In addition, other relevant standards to consider for management estimates include IAS 16, Property, Plant and Equipment, IFRS 16 Leases, and IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

IAS 36 ensures that a company's assets are carried at not more than their recoverable amount (the higher of fair value less costs of disposal and value in use) and requires companies to conduct impairment tests when there is an indication of impairment of an asset at the reporting date. Indicators of impairment include significant changes with an adverse effect on the company that have taken place during the reporting period or will take place soon in the market or economic environment in which the company operates.

The scope of assets subject to the requirements in IAS 36 is broad. It includes property, plant and equipment (carried at cost or revalued amount), intangible assets (carried at cost or revalued amount), goodwill, right of use assets (if carried at cost), investment property (if carried at cost), biological assets (if carried at cost) and investments in associates and joint ventures accounted for using the equity method.

Companies will need to assess whether the impact of COVID-19 has potentially led to an asset impairment. For most companies, the economic effects are likely to trigger an impairment test for long-lived assets and other asset groups. Estimates of future cash flows and earnings are likely to be significantly affected by direct or indirect impacts. Asset impairment may also reduce the amount of deferred tax liabilities and create additional deductibles. Ongoing identification and evaluation and re-evaluation are essential to understand the extent of the need for recognition and for what periods.

Valuation of inventories is subject to IAS 2 Inventories, and inventories are measured at the lower of their cost and net realizable value (NRV). In the current environment, the NRV calculation will likely require more detailed methods or assumptions e.g. companies may need to write-down stock due to less sales. Interim inventory impairment losses should be reflected in the interim period in which they occur, with subsequent recoveries recognized as gains in future periods.

Measuring expected credit loss assessments (ECLs) under IFRS 9 Financial Instruments

The COVID-19 impact on credit risk will be more severe and immediate in various sectors. The IASB has published a document responding to questions regarding the application of IFRS 9, which requires companies to incorporate reasonable and supportable information about past events, current conditions and the forecast of future economic conditions into the assessment of ECLs for financial assets not measured at fair value through profit or loss. Such an assessment should be based on information at the reporting date and adjusted for subsequent available information.

The increased credit risk faced by banks and lenders is related to exposures to borrowers in highly affected sectors. Provisions need to be estimated based on the ECL for the entire remaining life of a financial instrument, such as loans to borrowers whose credit risk has increased significantly since origination.

Regulators such as the European Securities and Markets Authority (ESMA) are issuing guidance to help ensure companies faithfully represent ECLs and apply IFRS 9 consistently. The measurement of ECL applies to companies across industries other than financial services but specific considerations and ECL guidance for lenders and banks is available.

ECL is a probability weighted amount determined by evaluating a range of possible outcomes. Qualitative and quantitative disclosure enables users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. This include the basis of inputs and use of assumptions and estimation techniques.

Hedge accounting - where a company applies hedge accounting as part of its risk management strategy under IFRS 9 Financial Instruments

COVID-19 may reduce the probability of a hedged forecast transaction occurring or affects its timing. Consequently, the hedge accounting criteria in

applicable financial reporting standards may no longer be met, for example if a hedged financial asset becomes credit impaired.

If a hedged forecast transaction is no longer highly probable to occur, hedge accounting is discontinued and the accumulated gains or losses on the hedging instrument need to be reclassified to profit or loss. Hedged items in a cash flow hedge that could be affected due to COVID-19 include: Sale or purchase volumes that fall below the levels originally forecasted; planned debt issuances that are delayed or cancelled such that interest payments fall below levels originally forecasted; business acquisitions or disposals that are delayed or cancelled.

Additional disclosures might also be required. For example, IFRS 7 Financial Instruments: Disclosures requires disclosure of defaults and breaches of loans payable, of gains and losses arising from de-recognition or modification, and of any reclassification from the cash flow hedge reserve that results from hedged future cash flows no longer being expected to occur. Disclosures include quantitative data, for example about liquidity risk, and narrative disclosure, for example how risk is being managed.

Other considerations

Other accounting and reporting considerations to take note of are covered in the references below and include revenue recognition and contract modification related to variable consideration (linked to IFRS 15 Revenue from Contracts with Customers). Although revenue is accounted for when it happens, there could also be an effect on the assumptions made by management in measuring the revenue from goods or services already delivered. For example, reduced demand could lead to an increase in expected returns, additional price concessions, reduced volume discounts, penalties for late delivery or a reduction in the prices that can be

obtained by a customer. A company may also modify its enforceable rights or obligations under a contract with a customer such as granting a price concession in which it is necessary to consider whether the concession is due to the resolution of variability that existed at contract inception or a modification that changes the parties' rights and obligations.

Key References Available on the IFAC COVID-19 Webpage.

- *Accountancy Europe Coronavirus Crisis: Implications on Reporting and Auditing*
- *EY Applying IFRS, Accounting Considerations of the Coronavirus Outbreak*
- *Deloitte, IFRS in Focus — Accounting considerations related to the Coronavirus 2019 Disease*
- *Grant Thornton, Reporting the impact of COVID-19*
- *KPMG, COVID-19 Financial Reporting and How should companies assess COVID-19 events after the reporting date?*
- *Moss Adams COVID-19 Disrupts Financial Reporting*
- *PwC A Look at Current Financial Reporting Issues*
- *For implications on public sector accounting, please go to the IPSASB COVID-19 website*
- *IFRS Foundation COVID-19 website*
- *For implications on audit, see the Forum of Firms, Pandemic Planning – Practical Considerations Supporting Audit Quality*

QUOTES

“Many of life’s failures are people who did not realize how close they were to success when they gave up.”

– Thomas A. Edison

“If you want to live a happy life, tie it to a goal, not to people or things.”

– Albert Einstein

“Money and success don’t change people; they merely amplify what is already there.”

— Will Smith

“Your time is limited, so don’t waste it living someone else’s life. Don’t be trapped by dogma – which is living with the results of other people’s thinking.”

– Steve Jobs

“The whole secret of a successful life is to find out what is one’s destiny to do, and then do it.”

– Henry Ford

