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Since the mid-sixties, the Institute of Chartered Accountants (Ghana) has been providing accountancy training at both technician and professional levels.

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The Professional Accountant

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EDITORIAL



Auditor independence is the cornerstone on which the auditing profession has been built and, indeed enables the auditor to appropriately discharge his/her duties to clients and the public at large. The key characteristics of this independence are the state of mind and appearance of the auditor. These must include integrity, strength of character to stand up for what is right and freedom from any undue influence. These character attributes must not only exist in an auditor but must be visible. Independence of every auditor is as important in fact, as it is in perception. The writer highlights the institutional and legal framework that must support the true independence of the Auditor- General for him/her to perform his/her job successfully to benefit the entire society.

Many studies have presented powerful empirical evidence on the economic and social costs of corruption. They have shown how corruption hinders investments (both domestic and foreign), reduces growth, restricts trade, distorts the size and composition of government expenditure, weakens financial systems and crumbles the entire economy. Most importantly, a strong connection has been demonstrated between corruption and increasing levels of poverty and income inequality. The experience of the developing countries strongly supports these findings. The writer emphasizes how corruption contributes extensively to high cost of government projects and expenditure which vary as a result of different patterns of corruption. The cost of administrative corruption is mutually reinforcing and is itself influenced by a range of other factors. The fiscal distortions caused by corruption, for example, erode the quality of government services, with dire consequences to the poor.

Increasingly, there are reports that the enor-

mous support being offered by/to countries across the globe to address the impact of the COVID-19 pandemic is not reaching the intended beneficiaries due to mismanagement, fraud and corruption. The article explains how the accountancy profession can contribute to establishing and strengthening institutions, systems, and capacity to effectively manage these funds and thus reverse this negative trend, if applicable. A recent World Bank Policy Note describes the risks and impacts of corruption in the context of the pandemic, providing guidance for addressing and mitigating such risks. If not addressed, fraud and corruption will cost additional lives and continue to perpetuate the shocking inequalities that have been revealed during the COVID-19 pandemic.

The article on corporate strategy tries to differentiate corporate strategy from business unit strategy and the importance for an organization to have a well-documented strategy to guide its operations. Corporate strategy focuses on the organisation as a whole, while a business unit strategy focuses on an individual business unit or market. In the real sense, a strategy is a plan of action designed to achieve a long-term or overall objective of the organisation. An organisation is not only top management, nor is it only middle management. Every organisation entails everyone from the top to the front lines. The success of an organization involves all the members of the organisation and how they are aligned around a strategy and support it. These and many more others are presented in this edition.

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IFAC NEWS

Public Interest Responsibilities Must Remain Paramount In The Age Of COVID-19 - A Statement From The International Federation of Accountants

While the long-lasting societal and economic implications of CV-19 have yet to be fully realized, we have already begun to see the toll on the global financial ecosystem. Economic crises have historically served as a powerful catalyst for financial malfeasance, and this risk is no different in the current environment.

All professional accountants need to be attuned to this heightened risk and continue to exercise high levels of diligence, integrity, and professional judgment. The International Code of Ethics for professional accountants, including International Independence Standards, establishes the standard of behaviour expected of a professional accountant. That is our public interest responsibility.

Professional accountants -- whether serving as members of a board or audit committee, organizational leaders, preparers or auditors -- are critical to the financial reporting ecosystem. And while it is not possible for our profession to prevent corporate failures, it is our responsibility to continue to provide fair and reliable financial reporting and disclosures that appropriately incorporate our best judgments, estimates, and assessments as well as being alert to the increased risk of fraud and financial misrepresentation.

In such a fast-changing and uncertain environment, management and board members, with their ultimate responsibility for preparing and overseeing financial reporting and communication, are urged to continually maintain an effective control environment, which will likely change or has changed as a result of adapting operating environments to remote working and other CV-19 demands. Auditors, likewise, should focus on the implications of any such changes to the control environment and any new or changed risks, and adapt their audit approaches accordingly to obtain sufficient appropriate audit evidence on which to base their opinions. Because of the unprecedented nature of CV-

19, greater transparency and disclosure of forward-looking information on an organization's operating performance, financial position, liquidity and future prospects are more critical than ever even though current circumstances make this more challenging. Professional accountants in business need to make reasonable, good-faith judgments in the context, and on the basis



of, information currently available. Transparency on known and material uncertainties, as well as robust processes and documentation supporting such disclosures, will help promote sound decisions, and auditors' assessments thereon, that will stand the test of time. Importantly, this will also enable investors and creditors to make the most informed decisions possible.

Professional accountants also need to play a pivotal role in ensuring the continued ability of organizations to be resilient to the significant challenges they face in these difficult times. This applies to all organizations—big and small---across all sectors of the economy, and involves helping organizations focus on good governance, sound strategy and strengthening their business models.

Our actions today will have a significant impact on our reputation and standing tomorrow. By upholding the highest standards of our professional and ethical conduct during CV-19, and by challenging ourselves to exercise heightened diligence and being open and alert to further action needed, we will live up to our public interest responsibilities and continue to positively shape how our profession is viewed.

Recognizing greater levels of pressure and stress facing many accountants, professional accountancy organizations stand ready to offer support to their members

in the form of advice, support, and counseling.

Source: www.ifac.org/publications



IAASB proposes modernization of Group Audits Standard in support of Audit Quality. The International Auditing and Assurance Standards Board (IAASB) has released the exposure draft of proposed International Standard on Auditing (ISA) 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors). Proposed ISA 600 (Revised) deals with special considerations for audits of group financial statements (group audits). Group audits are often more complex and challenging than single-entity audits because a group may have many entities or business units across multiple jurisdictions, and component auditors may be involved.

“This proposed standard is critically important as many of today’s audits are group audits, including audits of the largest and most complex organizations around the world,” said Tom Seidenstein, IAASB Chair. “The proposed revised standard addresses quality risk issues identified by audit regulators and benefits from the input of a wide range of stakeholders.”

The proposed standard introduces an enhanced risk-based approach to planning and performing a group audit. This approach appropriately focuses the group engagement team’s attention and work effort on identifying and assessing the risks of material misstatement of the group financial statements, and designing and performing further audit procedures to respond to those assessed risks. The proposed

standard recognizes that component auditors can be, and often are, involved in all phases of a group audit. In these circumstances, the proposed standard highlights the importance of the group engagement team’s involvement in the component auditor’s work.

In addition, the proposed standard:

- Clarifies the scope and applicability of the standard.
- Emphasizes the importance of exercising professional skepticism throughout the group audit.
- Clarifies and reinforces that all ISAs need to be applied in a group audit through establishing stronger linkages to the other ISAs, in particular to proposed ISA 220 (Revised), ISA 315 (Revised 2019) and ISA 330.
- Reinforces the need for robust communication and interactions between the group engagement team, group engagement partner and component auditors.
- Includes new guidance on testing common controls and controls related to centralized activities.
- Includes enhanced guidance on how to address restrictions on access to people and information.
- Enhances special considerations in other areas of a group audit, including materiality and documentation.

In consideration of COVID-19’s impact, the IAASB is departing from the Board’s normal 120-day comment period for public consultations. Therefore, the exposure draft of proposed ISA 600 (Revised) is open for public comment until October 2, 2020.

The IAASB invites all stakeholders to comment on the Exposure Draft via the [IAASB’s website](http://www.iaasb.org).

ISA 540 (Revised) Implementation: Illustrative examples for auditing Simple and Complex Accounting Estimates

The IAASB’s International Standard on Auditing (ISA) 540 (Revised) Implementation Working Group has prepared illustrative examples for auditing simple and complex accounting estimates. The examples are designed to illustrate how an auditor could address certain requirements of ISA 540 (Revised), and have been developed to assist the auditor in understanding how ISA 540 (Revised) may be applied to:

- Simple Accounting Estimate – Provision

on Inventory Impairment

- Complex Accounting Estimate – Provision on Property, Plant and Equipment Impairment

The examples illustrate accounting estimates with varying characteristics and degrees of complexity. Each example illustrates a selection of requirements from ISA 540 (Revised). Not all requirements are addressed in each example, nor do they cover all parts of those requirements that have been selected. The requirements selected across each example vary to illustrate different aspects of ISA 540 (Revised) and to focus on those requirements that are most relevant to the example.

These examples are intended to be read together with ISA 540 (Revised). This will demonstrate how an auditor's work effort, to comply with the requirements of ISA 540 (Revised), may be scaled down and scaled up when auditing simple and complex accounting estimates.

Source: www.iaasb.org/news-events

ICAG NEWS TITBITS



President Inaugurates 2020 Election Committee

ICAG President, Prof. Kwame Adom-Frimpong inaugurated the Election Committee to conduct and supervise the 2020- 2022 Council Elections at the Secretariat on 18th June, 2020. Prof Kwame Adom-Frimpong explained that the Annual General Meeting (AGM) and elections which were originally scheduled for May 2020 were postponed because of COVID-19 and subsequent ban on public gatherings. He indicated that arrangements are being made to organize the AGM and Council elections in August 2020.

Composition of Election Committee

The Election Committee was established to oversee the forthcoming Council elections and management all the preparations and requirements. The committee is made up of experienced members with high pedigree. The committee's structure comprises the following positions;

- Chairman
- Deputy/Vice Chairman

- Secretary
- Other members
- Election observers (the number of assessors varies depending on the electoral guidelines)

Election Committee Members

The following are members of the committee:

Mr. J.F.O. Blankson	Chairman
Dr. S. O. Lamptey	Member
Dr. Maxwell S. Amuzu	Member
Ms Mary Larmie	Member
Mrs. Doris Anum-Dorhusu	Member
Nana Esi Adade-Amankwah	Member
Mr. Emmanuel K. Arthur	Director/ Secretary

Committee's Terms of Reference (TOR)

- a. Manage the 2020 Council elections;
- b. Make policy recommendations to Council on the 2020 elections;
- c. Provide detailed guidelines for the conduct of the 2020 elections;
- d. Serve as Election Overseer and Returning Officer (s) for the 2020 Council elections;

- e. Raise awareness of the elections to ensure these targets are met; and
- f. Make recommendation on improvements to the election procedure and process.

Among other things, the President reminded the Committee to be impartial and not to support or appear to support any candidate. He believed that the Committee would avoid all potential conflicts and perform above expectations. He urged Committee members to bring their rich experience to bear on the conduct of the 2020-2022 Council elections especially since they had supervised previous Council elections. President expressed his appreciation to them for honouring the invitation to serve on the committee again for this voluntary endeavour.

The members later took two oaths as part of their inauguration, the Oath of Office and Oath of Confidentiality.

Chairman, Mr. J.F.O. Blankson, in his response, expressed the Committee's sincerest gratitude to President and Council for endorsing their nomination to serve the Institute in this capacity. He pledged that

Committee's support to ensure that they would put their best feet forward without fear or favour. He added that the Committee would exhibit a high sense of fairness and integrity throughout the electoral process.

On his part, CEO, Mr. Paul Kwasi Agyemang congratulated the committee members for being selected from over five thousand (5000) members of the Institute. He expressed his confidence in the Committee's ability to fulfill its mandated and assured them of the Secretariat's cooperation to ensure they executed an excellent task.

Public Lecture: Unpacking the COVID-19 Tax box



The lecture was delivered by Mr. Abeku Gyan-Quansah, a Partner at PwC and a Vice Dean of the Taxation and Fiscal Policy Faculty.

The lecture was viewed live on Facebook, WhatsApp, LinkedIn and Instagram and Google Meet.

In his opening remarks, the President commended the collaborative efforts between the Taxation and Fiscal Policy Faculty and the Secretariat in the choice of topic and for the live streaming of the event.

He made a few observations on the choice of topic laying emphasis on the impact of COVID-19 had had around the globe necessitating a concerted action by governments through adopting multifaceted approaches to support their citizens, businesses and

provide vital public service.

The President stated that taxation measures implemented for individual taxpayers generally focus on preventing hardship and reducing the tax burden given the restrictions in place in a number of countries. On the other hand, measures for businesses, that is, legal entities and self-employed, focus on alleviating cash-flow problems to avoid employee laying offs, temporary indebtedness to suppliers and, in the worst cases, companies folding up.

He enumerated a number of reliefs that had been granted individuals and companies as a result of the pandemic outlined by the Ghana Revenue Authority (GRA) which included income tax reliefs and exemption from payment of VAT.

interventions introduced by government. He observed that as the nation enjoys government's benefits outlined to help mitigate the effects of the pandemic, a number of years down the line, the Ghana Revenue Authority would come round to conduct audits.

He outlined the three (3) key areas of focus of his presentation:

- Content of the COVID-19 tax box
- Unwrap the content (unravel the benefits), and
- Repack the box

Content of the COVID-19 Tax Box

Mr. Gyan-Quansah noted that since 12th March 2020 when the first cases of the



Mr. Abeku Gyan-Quansah on his part, expressed confidence that the nation would survive the pandemic with the aid of certain

pandemic were recorded in the country, a number of policies and legislation had been introduced by the Minister for Finance, Par-

liament, Ghana Revenue Authority (GRA) and National Pensions Regulatory Authority (NPRA).



Mr. Gyan-Quansah advised that these items should be read and interpreted in the light of the Constitution and prevailing tax laws and practice.

He zeroed in on two core areas: Income Tax and VAT (comprising NHI Levy and GET-FUND Levy).

He stated five (5) risk areas found in an audit in anticipation of the future audit to be conducted by GRA:

- a. Inflows (representing the portion to be taxed);
- b. Outflows (expenses that will be reduced from inflow and subjected to tax)
- c. Profit (the lower the profit, the lower the tax)
- d. Tax rate
- e. Reporting

Unwrap the Contents

(a) Employment Income Tax Waiver

1. On 30th March 2020, the Minister for Finance presented a proposal to Parliament to outline measures implemented, being implemented and would be implemented by government in the wake of the effects of the pandemic on the economy.

2. On 27th April 2020, following from the initiative taken by the Minister for Finance, GRA published its intended support to taxpayers for 2020 in view of the pandemic.

3. On 29th April, 2020, the Minister for Finance wrote to Parliament to requesting certain powers and approvals. This was granted by Parliament in its response to the Minister's request on 4th May, 2020.

4. On 8th May, 2020, the President Nana Addo Dankwa Akufo-Addo, assented to the Bill submitted to him by Parliament and signed it into law.

5. Following the parliamentary approval, GRA made a second publication on 12th May, 2020 interpreting and making public the parliamentary approval granted including directives to NPRA to streamline certain issues.

6. On 13th May, 2020, NPRA issued its directives on these pertinent issues.

The first item to unwrap relates to health professionals or frontline workers. Government in its bid to provide benefits to medical staff working at the front lines, outlined that they would enjoy certain allowances and not pay income tax from March to June, for four (4) months. The allowances would be tax exempt.

Government also awarded additional health workers who are not front liners, tax exemption on their employment income (emoluments) from April to June that is, for three (3) months.

Private hospital front liners and non-front liners would also eligible for tax exemption in the two categories mentioned above if they have duly regularized the registration of their health facility and acquired the HE-FRA certificate as proof that they are a licensed health facility.

It is worth noting that these benefits affect only employment income. Therefore, any other benefits not related to health would be taxable.

Implications of these measures:

All health workers with a Tax Identification number (TIN), will realize an increase in their income as a result of these incentives, four (4) tax-free allowance for front liners and three (3) months tax-free emoluments for non-front liners.

From 2016, every Ghanaian was required to file an income tax return. Any defaulter from 2017 therefore would be in breach of this law. Health workers should note that, taxes on employment income are assessed on annual basis, and therefore, the monthly estimates could result in over-payment of income taxes which is refundable. With a third or a quarter of their income being tax exempt, marginal income tax rate may drop and therefore, a tax refund maybe applicable.

(b) Voluntary Pension Scheme

The provision under this benefit scheme benefits employees who lost their jobs due to COVID-19 and business owners who have lost capital and have contributed to the 3-Tier Pension Scheme run by the NPRA.

Employees who have set aside funds into their Tier 3 fund, also called Provident Fund, would usually have withdrawn from the fund and attracted a 15% tax deduction. For such employees who have lost their jobs due to COVID-19, if they have accrued funds in their Tier 3 and have met the conditions for withdrawal from the fund, they have the benefit of withdrawing the total accrued fund without attracting the 15% tax deduction.

The condition for lost employment therefore will require the employer to notify the Trustee about the separation or job loss, after which the employee would contact the Trustee and subsequently, the Trustee would contact NPRA through the necessary formalities of withdrawing the funds.

The situation is different for the self-employed who also have accrued funds in their Tier 3 fund and have lost capital. It is not compulsory for them to go into their Tier 1 fund. However, such casualties can only withdraw from the personal savings component of their entire Tier 3 fund.

(c) Donation Incentive

As a result of the pandemic, national resources were depleted. Therefore, government appealed to institutions and organization and individuals to support government through donations in cash and in kind in order to restock.

These donations would potentially impact Balance Sheets and Income Statements. From the tax practitioner's perspective, the donations would impact cash inflows and outflows with the tax effects on donations and income tax. Individuals may also benefit.

i. **Cash:** This has no VAT implication, but for income tax, the amount donated in relation to COVID-19 confirmed as a worldwide cause by GRA, is deductible.

In GRA's guidelines of 12th May 2020, this will apply to donations to the following bodies, COVID-19 Trust Fund, MMDAs, MDAs, Private Sector Fund, health institutions, traditional councils and religious bodies.

ii. Products by Non-VAT registered donor: Any manufacturer or producer who is non-VAT registered, whatever is donated will have no VAT implications but will be deductible for income tax.

iii. Products by VAT registered donor: Items donated that are classified as emergency relief items will not attract VAT. Relief supplies are however taxable.

iv. Products by Beneficiary at Port: Items imported to be donated are exempt items on sale if these are imported directly to be

donated, will not attract VAT and will be income tax deductible.

When items donated are taken from stock and donated, evidence can come in the form of a letter acknowledging receipt or pictures capturing the donation. In this case VAT will not be paid on the items.

Where the items are not from stock or inventory. Treatment will be based on whether items are to be used to construct a health facility, or for the extension of the health facility, or the items are intended to be used as general donations apart from those in inventory.

Items purchased locally will require confirmation from Ministry of Health and evidence of exemption from Ministry of Finance on such items.

Where the items were imported, again confirmation from Ministry of Health would be required and the exemption from Ministry of Finance for processing at the ports.

If these procedures are not followed, then the donor will only gain on income tax.

(d) Annual Returns – Reporting (Extension of filing deadline)

Individuals and employers are required to file income tax returns and income tax schedule not later than four (4) months after the respective calendar years. Parliament granted the Minister for Finance extension to six (6) months from 30th April extended to 30th June).

The second category was for companies and trusts. Their filing is four months after the end of their financial year and not calendar year. This has been extended to six (6) months after their financial year.

Companies and Trusts may apply for extension depending on whether there is reasonable cause as may be determined by the

Commissioner-General. GRA has released practice notes to that effect (GRA practice note RAA 2020 (01-02)).

(e) Tax Amnesty (Waiver of penalties on Principal Debts)

Tax amnesty was to be granted for payment of penalties and principal liabilities required by June ending.

Tax procedures is two-fold: filing documents and payments and payment of sanctions. Administrative sanctions involve the payment of interest for late payment and penalties for not paying applicable taxes early.

In the case of penalties, the defaulter may apply to the Commissioner-General for waiver of penalties, stating the applicable penalties, the period for payment and attach evidence of payment. This should be completed by 30th June 2020. After that there must be evidence of good cause for the waiver to apply.

In the case of interest, interest cannot be waived in like manner to penalties. It can only be waived on grounds of impossibility of collections due to for example, business collapse, bankruptcy, demise of business owner or a reason that can be reasonably substantiated.

Repacking the Tax Box

Mr. Gyan-Quansah ended the presentation by repacking the tax box in summary.

1. The extension does not include non-annual filings, VAT, etc.
2. Keep adequate records to support all applicable claims.
3. Estimate liabilities through health checks, and if possible, pay all liabilities by 30th June 2020 in order not to have Commissioner-General impose penalties on principal liabilities, though interest may apply. If the time is constrained, defaulters must petition the Commissioner-General with the required documentation.

4. In July 2020, the Minister for Finance will meet Parliament to account for his stewardship in the past six (6) months, including any probable new adjustments and new tax policies.

5. Reminder about the various tax intervention programmes and need to prepare for GRA's visit and prepare towards the tax audit.

He concluded by asking listeners to hold on to the pattern of sound teaching as presented and this will save listeners in future and access all applicable benefits.



President Addresses First Graduation and Admissions Ceremony for 2020



Prof Adom-Frimpong, ICAG President, addressed the first 2020 Graduation and Admission Ceremony held virtually on Saturday 27th June 2020. He explained that the COVID-19 pandemic and social distancing protocols had prevented in person graduation ceremony. It had created a unique situation never experienced before resulting in global economies being faced with serious unemployment crisis, unsustainability of small and medium enterprises, issues with liquidity and in certain instances, insolvency.

The 34th Graduation and Admission ceremony was held to admit 234 graduands into membership, graduate 283 students who successfully qualified in the November 2019 examination diet, 16 ATSWA graduands, and 137 Post-chartered Diploma graduates in specialized areas such as Forensic Audit, Public Financial Management and Treasury and Financial Risk Management. 60 new members were admitted from other professional bodies in accordance with Section 4 (1B) of CA Act 1963, Act 170.

He stated that COVID-19 had created a

global turmoil. However, the profession can—and must—work to provide essential services needed to draw global economies and civil societies out of trouble. Most professions including accountancy have not been spared by the on-going global challenges. It therefore behooved on a concerted effort by professional accountants to join the effort in restoring the economy to normal through persistent enhancement of the relevance and transparency of the business reports for decision makers and key stakeholders.

Prof Adom-Frimpong added that in these difficult times of the pandemic, professional colleagues are facing a lot of challenges in terms of assessing the impact of COVID-19 on reporting and assurance. Covid-19 is affecting most of the international reporting standards. However, the key ones that can be singled out are: Going concern, Fair value measurements, and measuring expected credit loss assessments (ECLs) in line with IFRS 9 (Financial Instruments) requirements.

There could be a significant impact on the financial statements of businesses affected

by the Coronavirus, including disclosures on going concern, change in estimates used for impairment, fair value assessments at year-end and reporting as a new Key Audit Matter in the auditor's report. A careful consideration of the accounting and auditing rules is needed to ensure appropriate compliances.

The President emphasized that governments, businesses, other professional bodies, and every sector of society are putting forward their best efforts to stall the appalling chain reaction and restore the economy to normalcy. Our profession, of course, is doing its best to contribute to this endeavor. He admonished companies to be sure to adhere to good reporting standards, ensure compliance through acquiring the necessary accounting and reporting skills in their organisations. He reiterated that, the need for employers to recruit professional accountants who are members of a professional accounting organisation (PAO), with particular reference to ICAG; to take charge of their institution's financial management instead of relying on charlatans and quack accountants for financial decisions.

The President added that the Institute members through providing technical guidance and relevant continuous professional development courses (CPDs) that equips accounting professionals with the up-to-date knowledge on international standards. He emphasized that companies should find such skills invaluable, not just in reporting, but also in strategic thinking. In addition, professional advisory firms whose employees are ICAG members also provide technical advisory services to ensure adherence to the International Financial Reporting Standards.

The President was pleased to inform the graduates about the Institute's innovative stance in providing virtual CPD webinars to members in this COVID 19 era, on various topics that will aid companies' adherence to IFRSs.

ICAG's Quality Assurance Monitoring (QAM) unit reviews audited financial reports of entities on a rotational basis and offer advice and recommendations to preparers to aid

them in improving reporting in compliance to IFRS.

ICAG as a founding member of the Association of Accountancy Bodies of West Africa (ABWA) and a member of International Federation of Accountants (IFAC), seeks to improve the quality of reporting in the ecosystem.

The President stated that for the graduates, the ceremony marked the start of their career as full-fledged professionals. To achieve this feat, they devoted years of intensive study alongside demanding jobs, demands from nuclear families, and other demands on your time. This, he added, should make them very proud of yourselves for achieving this goal.

He advised them to focus on their long-term career goals. Having qualified and achieved membership status, a whole host of opportunities awaited them including challenges. Traditionally, a newly qualified Chartered Accountant had two broad based career options: they could choose to work with a practicing accounting firm or taking up employment as a company accountant in the private sector, or civil service.

Whatever choices they made, he stressed, required that they would seize any opportunity to learn new things and take on extra responsibility. In these contemporary times, accountants are increasingly being called upon to fill up key roles in e-commerce, continuous assurance, risk assessment, due care and competence, networking, etc.

Prof Adom-Frimpong called for them to strong bonds with their colleagues and as a vital element for them to achieve excellence in their roles towards excellence, and the unexpected opportunities that could arise out linkages they may form to help them achieve their goals.

He admonished them not to think that night time socialization was the only benefit and that it would be a good idea to spend time at work-related events too. Their ability to bond well with their colleagues at work would make a huge difference to their levels of satisfaction on the job.



The President mentioned some of the networking channels at their disposal, such as the district societies, year groups, Association of Women Accountants (AWAG), faculties, etc. He urged them as chartered accountants to maintain professional knowledge and skills at the level required to ensure that a client/employer received competent professional services.

Challenges Ahead

ICAG President stressed that the diverse roles accountants play were accompanied with equivalent challenges. A chartered accountant is usually perceived to know everything and should be an expert in accounting, taxation, finance, economics, capital markets, banking, law, etc. Sometimes, it is almost impossible to state otherwise. Society therefore expects a lot from a CAs. To fulfill this expectation is one of the profession's biggest challenges.

He mentioned that continuous professional development, coupled with managing office work and leading a happy life was quite a challenge. Technology always emerges with newbies on a daily basis. Hence the need to perpetually enhance their competencies.

Socio-cultural issues such as corruption, reputation of the profession, scandals and accounting frauds are always in the news daily. People from other professions are always ready to attack the accounting profession with these ugly happenings. All financial scandals will be pointed out. Due to negative perceptions held by people about accountants, wearing a new suit, riding in a new car, moving into a new house, or even visiting a high-end restaurant raises suspicion of fraud. In this light, the President advised the graduates to live modest lives pleasing to God. Modesty does not imply

poverty but then at all cost they must avoid living ostentatious lives. He stressed that their role as accountants should be manifested in all area of work to ensure that controls in place are adhered to.

He also pointed out that pressure from “top officials” and politicians often posed as serious stress on accounting professionals to compromise on their ethical ideals. Accountants face moral dilemmas daily basis at the hands of politicians and other top officials. The President indicated that there was more to what happened in real life than to what they had studies in their courses. He urged them to stand firm in all your endeavors.

With technology now being common place, coupled with quick pace of work, they had been presented with sufficient arsenal of

tools to increase efficiency and effectiveness. This offers opportunities to distinguish professionals from the rest of the pack.

In conclusion, the President admonished the graduates that no situation is permanent and that they had begun the long journey that can only be sustained through hard work. He looked forward to the day when they would be called to senior positions a mark of their success in the years to come. He urged them to be proud members of this reputable institution with the assurance that they will never walk alone.

On behalf of ICAG Council, he concluded by wishing them every happiness and success in the future. Have a great day.

FEATURES

Connecting The Dots On Beneficial Ownership

Scott Hanson, Principal, Public Policy & Regulation, IFAC

Prior to the emergence of the COVID-19 crisis, financial crime was a front-of-mind issue for global policymakers, law enforcement authorities and other stakeholders, including the accountancy profession. For good reason: the scale of financial crime is incredible, with global estimates ranging from US\$1.4 trillion to US\$3.5 trillion annually, and underlying these trillions of dollars is criminal activity that damages economies and societies throughout the world.

In the months since, the COVID-19 pandemic has had an unprecedented impact on the lives and livelihoods of countless millions around the world. In line with the human and economic impacts has been an unprecedented expansion in public sector expenditure, rightfully implemented quickly in a crisis management mindset.

At the same time, the COVID-19 response has had the unfortunate side effect of creating new opportunities for corruption, bribery and fraud. As recently recognized by the Organisation for Economic Co-operation and Development (OECD), “This crisis creates opportunities for many integrity violations and could intensify fraud and corruption, particularly in public procurement, economic stimulus packages and public organizations. This could significantly undermine government action.”

The Financial Action Task Force (FATF), the global anti-money laundering standard-setter, has also addressed this issue, noting that, “the increase in COVID-19-related crimes, such as fraud, cybercrime, misdirection or exploitation of government funds or international financial assistance, is creating new sources of proceeds for illicit actors.” So while the COVID crisis is new, it has reiterated the importance of the pre-crisis priorities like the fight against financial crime, including money laundering.

Although there has been significant progress toward combating money laundering over the past decades, there is still much more to do. David Lewis, the executive secretary of the FATF, recently said, “I would sum up the results as ‘everyone is doing badly, but some are doing worse than others.’ ” Recognizing this, it is important that all stakeholders step up their activities against money laundering and other financial crimes.

Approaches to Transparency

Uncovering and fighting illicit financial flows requires information, including who owns, controls or ultimately benefits from any business involved in potentially illegal activities: namely, the beneficial owners. By concealing and/or disguising the beneficial owners of their assets, lawbreakers hide their activities, their proceeds of crime and their real identities. Accordingly, timely access to accurate beneficial ownership information plays a critical role for law enforcement and other authorities in identifying, preventing and prosecuting money laundering, terrorist financing, and tax evasion, among other financial crimes. In this context—made all the more acute by the COVID-19 pandemic and response—IFAC and CPA Canada have published a new report on the global approaches to beneficial ownership transparency with views from the accountancy profession.

FATF’s internationally endorsed standards have been instrumental in spurring progress in preventing and detecting money laundering and terrorist financing. The FATF Recommendations identify beneficial ownership information as a key factor in fighting these crimes and provide options for national policymakers to effectively integrate this information into their national frameworks.

Our report looks at each of these options and considers the tradeoffs that must come with each. Of particular interest is the public registry approach to beneficial ownership information. These are, essentially, websites where anyone can type in the name of

a company and access information on the beneficial owners. In recent years, much of the discussion regarding beneficial ownership has focused on public registries. Although not mandated by the FATF Recommendations, the public registry approach is lauded by civil society organizations such as Transparency International. In terms of implementation, a public registry approach has been adopted in the UK and is currently being rolled out across the European Union under the Fifth Anti-Money Laundering Directive.

Focus on the Outcomes

However, keeping in mind what we are trying to achieve, the situation with public registries becomes more complicated. In the first instance, the priority is putting reliable, actionable information in the hands of law enforcement and other authorities so that they may take timely action to prevent and catch money launderers. In the second instance, this information should be available for service providers such as banks, lawyers and accountants so that they may effectively comply with their know-your-customer regulatory obligations.

Public beneficial ownership registries have clear benefits. There is an open question, however, as to the extent to which a publicly accessible registry enhances outcomes from an anti-money laundering enforcement and prevention perspective. A decision by a jurisdiction to adopt a public beneficial ownership registry is not an immediate solution in ensuring that law enforcement and others have access to accurate information in a timely manner. The same holds for professional service providers looking to comply with their know-your-customer obligations.

For the information in a registry to be actionable for law enforcement and others, it needs to be fully up-to-date and accurate. This is no insignificant challenge, especially considering the sheer numbers of companies and beneficial owners in larger, more active jurisdictions. Privacy concerns also play a significant role in the discussion, as

publicizing ownership information may provide a tool for bad actors to exploit.

To help law enforcement to effectively do their job, public registries need to offer verified and current information, while minimizing the risks to personal privacy and safety. In short, in order to realize their full potential, public registries need to be done well, and they are not the solution to stopping money laundering in and of themselves.

The Accountancy Profession as Committed Partner

The IFAC and CPA Canada report considers these issues along with the perspectives of several leading professional accountancy organizations (PAOs) around the world. The report brings into the focus the complexities of beneficial ownership transparency in order to assist policymakers worldwide as they map the best way forward.

The global accountancy profession is a committed partner in the fight against money laundering and financial crime—a fight that is more important now than ever.

Social Consequences of Corruption



Julius Opuni Asamoah (BSc, MBA, CA)

In recent years, many studies have presented powerful empirical evidence on the economic and social costs of corruption. They have shown how corruption hinders investments (both domestic and foreign), reduces

growth, restricts trade, distorts the size and composition of government expenditure, weakens the financial system and crumbles the entire economy. Most importantly, a strong connection has been demonstrated between corruption and increasing levels of poverty and income inequality. The experience of developing countries strongly supports these findings. Corruption contributes extensively to high cost of government projects and expenditure which vary as a result of different patterns of corruption. The cost of administrative corruption is mutually reinforcing and are themselves influenced by a range of other factors. The fiscal distortions caused by corruption, for example, erode the quality of government services, with serious dire consequences for the poor.

The negative effects of corruption on investment and growth similarly exacerbate poverty and erode the tax base, further undermining the quality of public services. Corruption has adverse consequences on a range of independent areas, thus economic growth and investment, poverty and inequality, fiscal stability, provision of public services, and government credibility. The mutually reinforcing nature of these costs and the complex lines of causation should always be kept in mind. Under what circumstances should the cost of building a junior high school in Ghana impact more on the government's budget than a similar one built by a private entity. It is a well-established fact that in times of corruption, investment is significantly affected by the level of uncertainty in public procurement. By increasing uncertainty, corruption raises the effective cost of government spending and consequently reduces investment levels.

The negative effects of corruption are particularly clear from both the government and business-level performances. Weak companies and other businesses might be more inclined to rely on administrative corruption as a survival mechanism because of their prevalent irregularities and legal in-

fractions. Alternatively, administrative corruption could directly weaken business performance, raising questions as to whether corruption practices, such as bribery, yields any selective benefits to businesses. The effects of corruption on business performance show a marked contrast. Where corruption is reported to be prevalent, some businessmen pay bribes to influence the content of laws and regulations to show significant increases in their sales growth. The consequential loss to the state might be a loss of tax revenue to the government. Corruption creates an uneven playing field for some players in certain industries. Those that indulge in massive corruption end up cutting cost and recording more gains than their competitors.

There exists another deadly economic malpractice called state capture. State capture is a substantial social cost to the economy. State capture represents a transfer of wealth among politicians, businessmen and the state via distortions in the underlying competitive and institutional framework. Countries with high levels of state capture and administrative corruption have the largest output decline. Though the direction of causation is ambiguous, a strong case can be made that corruption contributes to output decline, given its effects on investment and growth, the weakening of tax revenues, the misappropriation of state funds, and the erosion of public sector services. For so many individuals and families, the most immediate and visible consequence of state capture and corruption has been a decline in their living standards. Even among the most well-to-do individuals, poverty levels have expanded over the past decade at an alarming rate due to state capture and corruption, on the part of government officials. Poverty rates have remained high as incomes of the poor have failed to recover and inadequate social safety nets have left the most vulnerable groups unprotected. Poverty is highly correlated with administrative corruption. Surely, poverty can contribute to corruption as poor countries have

fewer resources to implement and maintain the monitoring and oversight necessary to contain the problem. In real facts, corruption also exacerbates poverty. As demonstrated above, corruption is empirically associated with lower economic growth rates, weakening the main factor that can pull people out of poverty. Moreover, corruption has a direct impact on the living conditions of the poor.

When corruption misdirects the assignment of unemployment or disability benefits, it delays eligibility for pensions, weakens the provision of basic public services, thus, it is usually the poor who suffers most. Such corruption undermines the well-being of the citizenry and may deter the poor from seeking basic entitlements and other public services. The extent to which households engage in bribery is strongly correlated with both administrative corruption and state capture. Countries with high levels of state capture and administrative corruption, is an indication that almost every household pays a bribe in one way or other. Though corruption at the household level affects people at all income levels, the poor again appear to be most seriously affected. A study has shown that the poor are the least likely to know how to get proper treatment when an official abuses his position. Within our economy, corruption is a highly regressive tax. Small enterprises across the country pay, on average, more than twice as much of their annual revenue in bribes as do large companies. Such businesses are particularly hard hit by administrative corruption. Micro entrepreneurs appear to be prime targets for corruption, especially those manned by less-exposed persons. Household surveys in several developing countries demonstrate that bribery at the household level is most strongly associated with participation in a micro-enterprise. Corruption clearly hinders the ability of the poor to help themselves out of poverty.

Inequality within developing countries has increased at an alarming pace, partly due to corruption and state capture. Even in some

middle-income countries, inequality has now reached levels at par with the most unequal developing or third world countries. Though numerous factors contribute to the growth in inequality, corruption should also be seen as a contributory factor. State capture concentrates substantial gains to a narrow group of businesses in a position to encode their advantages in the basic legislative, legal, and regulatory frameworks that govern the economy. By capturing the state, the “early winners” of transition gain fabulous wealth taking advantage of arbitrage opportunities associated with partial reforms and laying claim to state assets at highly undervalued prices.

Privatisation in developing countries, particularly, has become a key focus for state capture as some political structures and businessmen use illegitimate forms of influence to concentrate state productive assets into their own hands and care. In contrast, the poor gain a little, if at all, from the redistribution of what were once “social” assets. While the interaction between corruption and income inequality is certainly complex, the ultimate result has been clear. Income inequality has expanded most in countries with high levels of corruption and state capture. While increasing private revenues to public officials, corruption tends to have a negative impact on public revenues. This impact operates through a number of channels.

First, a substantial share of administrative corruption is directed towards tax and customs officials, presumably resulting in lower tax and customs payments by businesses. A story is told that in a developing country, one in nine businesses frequently make unofficial payments to tax officials or customs officials, while half of the businesses did so at least occasionally. Such corruption represents a substantial indirect private transfer in many countries from the budget to public officials.

Secondly, it is clear that corruption is closely associated with the unofficial economy, the size of which can have profound fiscal

implications in many developing countries. When businesses produce for the unofficial economy, they under report their economic activities or avoid the state entirely. This creates competitive advantages that can drive honest competitors from the market, thereby generating further corruption and fiscal shrinkage. The reduction of tax revenues reduces the funds available for public services, providing businesses with fewer incentives to operate officially. Once underground, such businesses pay bribes to avoid detection and punishment. The fiscal implications in some countries have been staggering. Corruption in procurement, assignment of subsidies, and outright theft leads to an exaggerated flow of funds out of the public coffers. Corruption in procurement, for example, leads to waste of public resources for often inferior quality products and services, and ultimately may deter honest vendors from doing business with the state.

The fiscal weaknesses exacerbated by administrative corruption and state capture contribute to weak macroeconomic performance. Developing countries like Rwanda and a few others, with the lowest levels of administrative corruption and state capture have the most effective institutions for macroeconomic governance. Though macroeconomic instability certainly creates a fertile ground for corruption, the fiscal implications described above suggest that corruption contributes to the macroeconomic instability as well.

In conclusion, corruption is a notorious deterrent of foreign direct investment. Combating corruption requires strong and credible political leadership. Yet this is precisely the aspect of the political system that is most seriously undermined by administrative corruption and state capture. In reality, corruption erodes trust in the institutions of state, which in turn weakens the state's capacity to fight corruption. The Ghanaian public believe that corruption is widespread, more than before and it sends doubt about the credibility of the government's anti-cor-

ruption campaign than those who perceive corruption to be more limited. A dangerous byproduct of this erosion of trust is increased crime. Problems with organized crime are highly correlated with administrative corruption. Ultimately, corruption, and distrust feed on each other, deepening and entrenching the problems. Whenever political leaders commit to fighting corruption they face a cynical population that has strong doubts about the credibility of the government. Where states have been captured, reformers must overcome a deep chasm of distrust before an anti-corruption programme can take hold. Yet by failing to address the problem of corruption, they are confronted by a vicious cycle of lower investment and growth, higher poverty and inequality, greater fiscal imbalances, and weaker delivery of basic public services.

How Can the Accountancy Profession contribute to ensuring COVID-19 Support reaches the Intended Beneficiaries?



Increasingly, there are reports that the enormous support being offered by/to countries across the globe to address the impact of the COVID-19 pandemic is not reaching the intended beneficiaries due to mismanagement, fraud and corruption. How can the accountancy profession contribute to establishing and strengthening institutions, systems, and capacity to effectively manage these funds and ensure that they reach

the intended beneficiaries?

A recent World Bank Policy Note describes the risks and impacts of corruption in the context of the pandemic, providing guidance for addressing and mitigating such risks. If not addressed, fraud and corruption will cost additional lives and continue to perpetuate the shocking inequalities that have been revealed during the COVID-19 pandemic.

In this regard, there are five areas where the accountancy profession can increasingly make a valuable contribution:

1. The accountancy profession can partner governments and institutions managing COVID-19 funds to design and/or strengthen the internal control systems necessary to manage these resources. Such controls would provide requisite safeguards to promote accountability and minimize the opportunities for fraud. The profession should use its wealth of experience in internal controls to provide this support, while also assisting the government in using digital technologies to implement these controls.

2. Such assistance could include designing or strengthening governance and financial management guidelines for established COVID-19 emergency/solidarity funds; developing or strengthening existing emergency procurement procedures; establishing fair and transparent eligibility criteria and efficient systems for distributing food packages and wage subsidies to target beneficiaries; and designing appropriate processes for monitoring receipts, and recording and utilization of the medical supplies procured under health care emergency responses, to mention a few.

3. The accountants serving in the institutions managing the COVID-19 funds should provide ethical management and reporting of the funds. Moreover, they should act as custodians of the stipulated policies by ensuring compliance; confirming that they pass the ethical test. For example, this could include ensuring compliance with procurement procedures, or curtailing any political influence and conflict of interest. The accountants should voice their con-

cerns wherever and whenever they see any (likely) malfeasance.

4. The accountancy profession should assist governments and other relevant institutions to operate effective systems to track and issue reports on the use of funding in dealing with the impact of the COVID-19 pandemic. To achieve accountability and transparency, the government must track and regularly publish financial reports on the use of COVID-19 funds, including emergency funds and government budget resources. Similarly, the government must report information about achievements (outputs and outcomes) resulting from the use of such funds.

The accountancy profession should partner governments to ensure the existence of specific codes in the accounting packages to specifically track COVID-19 expenditures. In addition, it should support the application of recognized public sector accounting standards (the International Public Sector Accounting Standards) to prepare financial reports, especially in countries where there are weak financial reporting regimes. Reference should be made to guidance issued by International Federation of Accountants. Finally, it should facilitate application of the International Integrated Reporting Framework to report on the achievements.

5. The accountancy profession should empower and partner citizens, civil society, and the media to improve social accountability in the management of COVID-19 funds. This would bolster citizen engagement and government responsiveness. Such an effort could include hosting sessions with citizens, civil society and the media to empower them vis-à-vis the monitoring of internal controls and accountability processes.

Empowered citizens, civil society and the media would hold to account the leaders of the institutions managing the COVID-19 funds. A case in point concerns the civil societies in Kenya and South Africa, who are calling for greater transparency and accountability in the management of COVID-19 emergency funds.

6. The accountancy profession should

partner the Supreme Audit Institutions (SAIs) to conduct real-time audits or provide pro-bono audit services to institutions managing COVID-19 emergency funds. As stated in the International Organization of Supreme Audit Institutions (INTOSAI) paper, to ensure the COVID-19 funds are used as intended, regular and real time audits should be conducted.

As was the case during the Ebola pandemic in Sierra Leone and Liberia, the private audit firms should partner the SAIs to conduct real-time performance audits. In the course of this exercise, they should check the efficiency, effectiveness, and economic of use of these funds. The audit firms should also assist the SAIs in using technology to conduct such audits, especially in countries where SAIs currently do apply such technology.

7. In addition, private auditors should

serve as auditors of the COVID-19 emergency response funds on a pro-bono basis. This is occurring in the case of Kenya's COVID-19 Emergency Response Fund, where the accountancy profession has partnered the Board of the Emergency Response Fund. PWC is providing bookkeeping services, and EY is managing the Fund. In addition, KPMG is providing monitoring and evaluation services. Deloitte serves as the auditors of the Fund, also on a pro-bono basis.

In conclusion, these valuable partnerships will enable countries develop and operate strong institutions and systems, enhancing their capacity to effectively and efficiently manage COVID-19 resources and other government resources. Indeed, it is the responsibility of the accountancy profession to contribute to developing these pillars. If not accountants, then who?

Building Execution into a Strategy



Julius Opuni Asamoah (BSc, MBA, CA)

Corporate strategy focuses on the organisation as a whole, while a business unit strategy focuses on an individual business unit or market. In real sense, a strategy is a plan of action designed to achieve a long-term or overall objective of the organisation. An organisation is not only top man-

agement, nor is it only middle management. Every organisation entails everyone from the top to the front lines. It is only all the members of the organisation and how they are aligned around a strategy and support it, for better or for worse. Henry Mintzberg from McGill University defined strategy as a pattern in a stream of decisions to contrast with a view of strategy as planning. Alfred D. Chandler Jr., the author of *Strategy and Structure* (1962) also defined strategy as “the determination of the basic long-term goals and objectives of an organisation, the adoption of courses of action and the allocation of resources necessary for carrying out these goals”.

Researchers and practitioners have used the term strategy freely for over two decades. No controversy surrounds the question of its existence; no debate has arisen regarding the nature of its anchoring concepts. Peter Drucker (1954) was among the first to address the issue of “strategy”. To him, an organisation's strategy was the answer to the dual questions: What is our business? And what should it be? After Drucker's ini-

tial statement, little attention was given to the concept of strategy in management literature until Alfred Chandler officially defined strategy.

Overcoming the organisational hurdles to strategy execution is an important step toward that end. It therefore removes the roadblocks that can put a halt to even the best of strategies. In the end, a company needs to invoke the most fundamental base of action: the attitudes and behaviour of its people deep in the organisation. You must create a culture of trust and commitment that motivates people to execute the agreed strategy. People's minds and hearts must align with the new strategy so that at the level of the individual, people embrace it of their own accord and willingly go beyond compulsory execution to voluntary cooperation in carrying it out.

Where effective strategic management is concerned, this challenge is heightened. Trepidation builds as people are required to step out of their comfort zone and change how they have worked in the past. They wonder. What are the real reasons for this change? Is top management honest when we speak of building future growth through a change in strategic course? Or they trying to make us redundant and work us out of our jobs. The more we remove people from the top, the less their involvement in the creation of strategy and the more this trepidation builds. On the front line, at the very level at which a strategy must be executed day in and day out, people can resent having a strategy thrust upon them with little regard for what they think and feel. Just when you think you have done everything right, things can suddenly go very wrong at your front line.

To build people's trust and commitment deep in the ranks and inspire their voluntary cooperation, organizations need to build execution into their strategies right from the start. This principle allows these organisations to minimize the management risk of distrust, non-cooperation and even sabotage. This kind of management risk is really relevant to strategy execution because strategy execution requires

significant changes in doing things in the organisation. Relenting on strategy execution could render organizations strategy as mere academic exercise and such well thought out plans could be left on the shelf without implementation. Hence, minimizing such risk is essential as an organisation execute its strategy. Organisations must reach beyond the usual suspects of carrots and sticks. They must reach to fair process in the making and executing of their strategies. Practitioners have proven that fair process is a key variable that distinguishes successful strategic moves from those that failed. The presence or absence of fair process could make or break an organisation's best execution efforts. Poor process could ruin strategy execution.

Let's consider the experience of one of the leading pharmaceutical companies in Ghana. This pharmaceutical company deals in pharmaceutical wholesaling. Because of the many distribution parameters, there are several complex controls to be considered in the company's strategy execution. Products must first be checked for dates of expiry before purchasing and the decision often rests on cognitive logic. To offer customers a leap in value, the company devised a strategy to remain competitive in its pricing and also minimize its operational cost. Using artificial intelligence, it developed an expert way of pricing its products by factoring in only the cost build-up and adding an appreciable profit margin.

This process was dramatically simplified, giving the sales representatives the opportunity to penetrate the market. This win-win strategic move, however, was doomed from the start. It was not that the strategy was not good or that the pricing model did not work, it worked exceptionally well. The strategy was doomed because the sales representatives fought it. Not being engaged in the strategy-making process nor apprised with the rationale for the strategic shift, the sales representatives saw the expert system of penetrating the market, in a light no one in the design team or management team had ever imagined. To them, it was a direct threat to what they saw as their

most valuable contribution. All the wonderful benefits, having a way to avoid the hassle-filled part of their job, having more time to pull in more sales and winning more supplies by standing out in the industry, went unappreciated. With the sales representatives feeling threatened and often working against the company's strategy, by expressing doubts about its effectiveness to customers, sales did not take off.

After cursing its hubris and learning the hard way the importance of dealing with managerial risk up front based on the proper process, management was forced to pull its pricing system from the market and work on rebuilding trust with its sales representatives. Another scenario entails an NGO which found it too laborious for the women of a village in Ghana, walking long distances to the riverside every morning, to fetch water for their households. The tiresomeness of it all is that these women would carry their babies on their backs, waists and fronts. The NGO thought it wise to construct a borehole closer to the village, to help alleviate their slavery encounter. The borehole turned out to be an "economic white elephant". The village dwellers failed to patronize it.

The NGO therefore conducted a study of why the village women were still walking their usual distances to the riverside every morning to fetch water. The findings from the study revealed that the NGO did not include them as stakeholders when citing the borehole. In furtherance to that, the study again revealed that walking that distance every morning enabled the women to bond with their friends and associates. They did not build execution into what they deemed as a helpful project for the community. The NGO embarked on a sensitization programme to convince all the village dwellers to patronize the borehole and after which they reverted to fetching water from the borehole.

Commitment, trust and voluntary cooperation are not merely attitudes or behaviours, they are intangible capital. When people have trust, they have heightened confidence in one another's intentions and ac-

tions. When they have commitment, they are even willing to override personal self-interest of the organisation. Enquiring from any organisation that has created and successfully executed a strategy, the managers would be quick to rattle off how important this intangible capital is to their success. Similarly, managers of organisations that have failed in executing their strategies will point out that lack of intangible capital contributed to their failure. Such organisations were unable to orchestrate strategic shifts because they lacked the people's trust and commitment. Commitment, trust and voluntary cooperation allow organisations to stand apart in the speed, quality and consistency of their execution and to implement strategic shifts fast at low cost.

Protecting the independence of the Office of the Auditor-General



Julius Opuni Asamoah (BSc, MBA, CA)

Auditor independence is the cornerstone on which the auditing profession has been built and, indeed enables him discharge his duties to clients and the market at large. The key characteristic of this independence is the state of mind and appearance of the auditor. These must include integrity, strength of character to stand up for what is right and freedom from undue influence. These character attributes must not only

exist in an auditor but must be seen to exist. Independence of every auditor is as important in fact, as it is in perception.

In Ghana, the Auditor-General (A-G) is the head of Ghana Audit Service. The Audit Service is Ghana's Supreme Audit Institution (SAI) and a member of International Organisation of Supreme Audit Institutions (INTOSAI). The independence of the A-G has continued to be the subject of considerable attention in many jurisdictions worldwide. The factors affecting their independence have also been the subject of comprehensive comparative discourses. The new forms of public sector management and the prevalence of public private partnerships have not only changed the way the public sector operates, but have also created the need for new ways of making these agencies and government accountable for what they do. We should bear in mind that the A-G plays a critical role in lending independent credibility to public accountability and it is fundamental to public confidence in the reliability of government spending. In the real sense, recent changes to accountability mechanisms have been to secure the independence of the AG, as well as to reinforce the links between Audit Service and Parliament. The independence and accountability of the A-G is a critical factor in determining the credibility and effectiveness of his office. The concept of an independent A-G should have several principles, including the absence of government interference. The extent of independence of the A-G critically affects his credibility. Many A-Gs in Africa are not wholly independent, but report to, and are funded by the Ministry of Finance, which compromises their effectiveness. Countries like Ghana and South Africa however, do not experience this shortcoming. Although independence implies different meanings to different jurisdictions, it generally refers to the extent to which institutions can act autonomously, in terms of their own control over their processes and resources, as well as human, material and other resource availability.

For effective functioning of this important institution of the A-G it is paramount to ensure independence. There are several provisions enshrined in Ghana's 1992 Constitution to safeguard the A-G's independence. The Constitution states that there shall be an A-G of Ghana whose office shall be a public office. The public accounts of Ghana and of all public offices, including the courts, the central and local government administrations, of the universities and public institutions of like nature, of any public corporation or other body or organisation established by an Act of Parliament, shall be audited and reported on by the A-G. The A-G or any person authorized or appointed for the purpose by the A-G shall have access to all books, records, returns and other documents relating or relevant to those accounts.

The A-G shall, within six months after the end of the immediately preceding financial year, submit his report to Parliament and shall, in that report, draw attention to any irregularities in the accounts audited and to any other matter which in his opinion ought to be brought to the notice of Parliament. It further states that Parliament shall debate the report of the A-G and appoint where necessary, in the public interest, a committee to deal with any matters arising from it. In order to make this function effective, Parliament has enacted the Public Financial Management Act, 2016 (Act 921) to regulate the financial management of the public sector within a macroeconomic and fiscal framework; define responsibilities of persons entrusted with the management and control of public funds, assets, liabilities and resources, ensure that public funds are sustainable and consistent with the level of public debt; provide for accounting and audit of public funds and provide for related matters. Section 86 of Act 921 enjoins every public sector institution to establish an Audit Committee. Section 88 subsection (1) empowers the Audit Committee to pursue the implementation of any recommendation of Parliament's decision on the A-G's

report; and the A-G's Management Letter. The A-G's independence is enshrined in the Constitution of Ghana. To ensure total independence of the A-G, in the performance of his functions under the Constitution or any other law, the A-G shall not be subject to the direction or control of any other person or authority; may disallow any item of expenditure which is contrary to law and surcharge the amount of any expenditure disallowed upon the person responsible for incurring or authorizing the expenditure; or any sum which has not been duly brought into account, upon the person by whom the sum ought to have been brought into account; or the amount of any loss or deficiency, upon any person by whose negligence or misconduct the loss or deficiency has been incurred.

According to the Constitution, any person aggrieved by a disallowance or surcharge made by the A-G may appeal to the High Court. The salary and allowances payable to the A-G, his rights in respect of leave of absence, retiring award or retiring age shall not be varied to his disadvantage during his tenure of office. The provisions of the Constitution relating to the removal of a Justice of the Superior Court of Judicature from office shall apply to the A-G. The administrative expenses of the office of the A-G including all salaries, allowances, gratuities and pensions payable to or in respect of persons serving in the Audit Service shall be a charge on the consolidated Fund. The accounts of the office of the A-G shall be audited and reported upon by an auditor appointed by Parliament.

In as much as the Constitution recognizes the A-G and Ghana Audit Service as part of the public services, the same Constitution recognizes the Audit Service Board comprising the chairman and four other members appointed by the President, acting in consultation with the Council of State, the A-G and the Head of the Civil Service or his representative. The Constitution went further to state that the appointment of officers and other employees in the Audit

Service, other than the A-G, shall be made by the Audit Service Board, acting in consultation with the Public Services Commission. The Audit Service Board shall, acting in consultation with the Public Services Commission, determine the terms and conditions of service of officers and other employees in the Audit Service. A member of the Audit Service Board, other than the A-G or the Head of the Civil Service or his representative, may be removed from office by the President, acting in accordance with the advice of the Council of State, for inability to perform the functions of his office arising from infirmity of mind or body or for any other sufficient cause.

Regarding the operational functions of the A-G, he performs a number of audits. These include regulatory audit, supplementary audit, propriety audit, efficiency audit and performance audit. The regulatory audit is an audit to ascertain whether the moneys spent were authorized for the purpose for which they were spent and also that the expenditure incurred was in conformity with the laws, rules and regulations. The A-G takes up supplementary audits in State-Owned Enterprises, even after the commercial audits have been done by the auditors appointed by the A-G, for detection of leakages.

In addition, the propriety audit focuses on whether the expenditure made is in public interest or not, that is, it moves beyond mere scrutiny of expenditure to question its wisdom and economy in order to identify cases of improper expenditure and waste of public money. Efficiency audit as the name suggests answers the question whether the money invested yields optimum results. The main purpose of the efficiency audit is to ensure that the investment is prioritized and channeled into its most profitable utilization. Performance audit answers whether government programmes achieves the desired objectives at the lowest cost and given the intended benefits. The A-G needs maximum independence to conduct the various audits afore-mentioned.

To intensify the independence of every A-G in their respective countries, the INTOSAI has established principles of independence on SAI independence. To be specific, these principles of independence are organisational, administrative, reporting and financial independence.

Organisational independence is achieved through the granting of powers to the AG to determine the organisational structure of Ghana Audit Service. In fact, the A-G is empowered to appoint, on terms as he may determine, such number and such classes of officers as he may consider necessary to assist him in the discharge of his functions according to law. Administrative independence is manifested through provisions in national audit legislation relating to the independence of the A-G and his staff.

Reporting independence is also incorporated within state audit legislation. In fact, the latter imparts the necessary powers to the A-G to carry out any type of audit, including financial and compliance audits, performance audits, investigative audits, as well as any other reviews the A-G may decide to carry out.

Financial independence forms an essential element of the A-G's independence. The financing of the A-G's office is supposed to be regulated by national legislation. The A-G prepares an estimate of the sum he considers necessary to be required to run his office. If such funds prove to be insufficient to meet all expenditure, the A-G may prepare supplementary estimates for examination by the Ministry of Finance. The above amounts are normally considered, and if approved, they are adopted by a Parliamentary resolution.

To summarize, there are established, a number of safeguards which are important to the independence of the A-G. These include constitutional guarantees of independence; functional or operational independence; freedom of reporting; financial autonomy; and managerial or administrative autonomy. The independence of the A-G calls for proper public sector auditing, including the

existence of security of tenure and legal immunity in the normal discharge of his duties. The A-G should have a sufficiently broad mandate and full discretion, in the discharge of his functions, including unrestricted access to information, the right and obligation to report on his work, the freedom to decide the content and timing of audit reports and to publish and disseminate them, the existence of effective follow-up mechanisms on his recommendations, financial and managerial or administrative autonomy and the availability of appropriate human, material, and monetary resources.

The capacity to execute the role independently and free from influence is fundamental to the effective functioning of an independent A-G. This independence is explicitly stated as a requirement or obligation on the A-G. An oath or affirmation of office is often used to reinforce the A-G's independence and impartiality and in some cases to symbolically mark the special relationship with an allegiance to Parliament. The A-G's independence is compromised from the beginning if the selection and appointment is done by the President. This opens him up to political patronage or appointment of a partisan government-friendly A-G. It is suggested that the selection and appointment of the A-G should be done by Parliament through the Public Accounts Committee (PAC), because the A-G reports to Parliament through the PAC. Some practitioners argue that it is awkward for the President to appoint the A-G but not report to him and instead, report to Parliament. To ensure true independence of the A-G, the fact that the President appoints the A-G should be curtailed and given to Parliament. There is an urgent need to conduct periodic statutory review and evaluation of the A-G's performance. Such a periodic statutory review should be a key control over the continuing effectiveness of the A-G's function. A number of jurisdictions have introduced a requirement for a statutory review of the AG and/or their offices, some on a fixed term periodic basis whilst others

enable performance audits of the office of the A-G by an external auditor.

In conclusion, public organisations are accountable to Parliament and the public for their performance and use of resources through annual reports. The A-G's work is designed to give assurance to Parliament, public organisations, and members of the public, that public organisations are fairly reflecting the results of their activities in their annual reports. The A-G also keeps an eye on whether public organisations are carrying out their activities effectively and efficiently, as well as on matters of waste, integrity, legislative compliance, and financial prudence in the public sector. We should note that the A-G cannot be ordered to conduct an inquiry. The A-G is responsible for auditing all public organisations. The A-G's focus is to improve the performance of, and public trust in, the public sector. The

A-G is sometimes referred to as a "public watchdog", that's because the A-G acts as a check and balance on the public sector. The A-G provides Parliament with independent assurance that public organisations are operating and accounting for their performance in the way Parliament intended. It is not part of the A-G's role to question the policies of government. Policies are determined by democratically-elected representatives. However, the A-G can report on how those policies are implemented. To be effective and credible, the A-G and his staff must be independent of the public organisations being audited. In addition, auditors appointed by the A-G to carry out annual financial audits on the A-G's behalf must also be independent. To ensure absolute independence, the A-G must be appointed by Parliament, through the PAC

YOU AND YOUR HEALTH

Mango: Nutrition, Health Benefits and How to Eat It

In some parts of the world, mango (*Mangifera indica*) is called the “king of fruits.” It’s a drupe, or stone fruit, which means that it has a large seed in the middle. Mango is native to India and Southeast Asia and has

been cultivated for over 4,000 years. There are hundreds of types of mango, each with a unique taste, shape, size and colour. This fruit is not only delicious but also boasts an impressive nutritional profile. In fact, studies link mango and its nutrients to health benefits, such as improved immunity, digestive health and eyesight, as well as a lower risk of certain cancers.



Here’s an overview of mango, its nutrition, benefits and some tips on how to enjoy it. Mango is low in calories but full of nutrients.

Calories:	99
Protein:	1.4 grams
Carbs:	24.7 grams
Fat:	0.6 grams
Dietary fiber:	2.6 grams
Vitamin C:	67% of the Reference Daily Intake (RDI)
Copper:	20% of the RDI
Folate:	18% of the RDI
Vitamin B6:	11.6% of the RDI
Vitamin A:	10% of the RDI
Vitamin E:	9.7% of the RDI
Vitamin B5:	6.5% of the RDI
Vitamin K:	6% of the RDI
Niacin:	7% of the RDI
Potassium:	6% of the RDI
Riboflavin:	5% of the RDI
Manganese:	4.5% of the RDI
Thiamine:	4% of the RDI
Magnesium:	4% of the RDI

It also contains small amounts of phosphorus, pantothenic acid, calcium, selenium and iron.

One cup (165 grams) of mango provides nearly 70% of the RDI for vitamin C — a water-soluble vitamin that aids your immune system, helps your body absorb iron and promotes growth and repair body tissues.



High in Antioxidants

Mango is packed with polyphenols — plant compounds that function as antioxidants. It has over a dozen different types, including mangiferin, catechins, anthocyanins, quercetin, kaempferol, rhamnetin, benzoic acid and many others. Antioxidants are important as they protect your cells against free radical damage. Free radicals are highly reactive compounds that can bind to and damage your cells. Research has linked free radical damage to signs of aging and chronic diseases. Amongst the polyphenols, mangiferin has gained the most interest and is sometimes called a “super antioxidant” since it’s especially powerful. Test-tube and animal studies have found that mangiferin may counter free radical damage linked to cancers, diabetes and other illnesses.

May Boost Immunity

Mango is a good source of immune-boosting nutrients. One cup (165 grams) of mango provides 10% of your daily vitamin A

needs. Vitamin A is essential for a healthy immune system, as it helps fight infections. Meanwhile, not getting enough vitamin A is linked to a greater infection. On top of this, the same amount of mango provides nearly three-quarters of your daily vitamin C needs. This vitamin

can help your body produce more disease-fighting white blood cells, help these cells work more effectively and improve your skin's defenses. Mango also contains folate, vitamin K, vitamin E and several B vitamins, which aid immunity as well.

May Support Heart Health

Mango contains nutrients that support a healthy heart. For instance, it offers magnesium and potassium, which help maintain a healthy pulse and your blood vessels relax, promoting lower blood pressure levels. Mango also contains a unique antioxidant called mangiferin. Animal studies have found that mangiferin may protect heart cells against inflammation, oxidative stress and apoptosis (controlled cell death). In addition, it may lower blood cholesterol, triglycerides and free fatty acid levels. While these findings are promising, research on mangiferin and heart health in humans is currently lacking. Therefore, more studies are needed before it can be recommended as a treatment.

May Improve Digestive Health

Mango has several qualities that make it excellent for digestive health. For one, it contains a group of digestive enzymes called amylases. Digestive enzymes break down large food molecules so that they can be easily absorbed. Amylases break down complex carbs into sugars, such as glucose and maltose. These enzymes are more active in ripe mangoes, which is why they're sweeter than unripe ones. Moreover, since mango contains plenty of water and dietary fiber, it may help solve digestive problems like constipation and diarrhea. One four-week study in adults with chronic constipation found that eating mango daily was

more effective at relieving symptoms of the condition than a supplement containing a similar amount of soluble fiber. This indicates that mango has other components aside from dietary fiber that aid digestive health.

May Support Eye Health

Mango is full of nutrients that help support healthy eyes. Two key nutrients are the antioxidants lutein and zeaxanthin. These accumulate in the retina of the eye — the part that converts light into brain signals so your brain can interpret what you are seeing — especially at its core, the macula. Inside the retina, lutein and zeaxanthin act as a natural sunblock, absorbing excess light. In addition, they appear to protect your eyes from harmful blue light. Mangoes are also a good source of vitamin A, which supports eye health. A lack of dietary vitamin A has been linked to dry eyes and nighttime blindness. More severe deficiencies can cause more serious issues, such as corneal scarring.

May Improve Hair and Skin Health

Mango is high in vitamin C, which promotes healthy hair and skin. This vitamin is essential for making collagen — a protein that gives structure to your skin and hair. Collagen gives your skin its bounce and combats sagging and wrinkles. Additionally, mango is a good source of vitamin A, which encourages hair growth and the production of sebum — a liquid that helps moisturize your scalp to keep your hair healthy. What's more, vitamin A and other retinoids migrate to your skin and protect it from the sun. Aside from vitamins A and C, mango is high in polyphenols, which function as antioxidants. These antioxidants help protect hair follicles against damage from oxidative stress.

May Help Lower Your Risk of Certain Cancers

Mango is high in polyphenols, which may have anticancer properties. Polyphenols can help protect against oxidative stress, which is linked to many types of cancer. Test-tube and animal studies found that mango polyphenols reduced oxidative stress and stopped the growth or destroyed various cancer cells, including leukemia and cancer of the colon, lung, prostate and breast. Mangiferin, a major polyphenol in mango, has recently gained attention for its promising anticancer effects. In animal studies, it reduced inflammation, protected cells against oxidative stress and either stopped the growth of cancer cells or killed them. While these studies are promising, human studies

are needed to better understand mango polyphenols anticancer effects in people

Delicious, Versatile and Easy to Add to Your Diet

Mango is delicious, versatile and easy to add to your diet. However, it can be difficult to cut due to its tough skin and large pit.

A good idea is to cut long vertical slices 1/4 inch (6 millimeters) away from the middle to separate the flesh from the pit. Next, cut the flesh into a grid-like pattern and scoop it out of the rind. Here are some ways you can enjoy mango:

Add it to smoothies.
Dice it and add to salsas.
Toss it into a summer salad.
Slice it and serve it along with other tropical fruits.
Dice it and add to quinoa salads.



Keep in mind that mango is sweeter and contains more sugar than many other fruits. Moderation is key – it’s best to limit mango to no more than two cups (330 grams) per day at most.

The Bottom Line

Mango is rich in vitamins, mineral and antioxidants and has been associated with many health benefits, including potential anticancer effects as well as improved immunity, diges-



tive, eye, skin and hair health.
Best of all, it is tasty and easy to add to your
diet as part of smoothies and other dishes.

Source: www.buzzle.com

TECHNOLOGY CORNER

Data Security Tips To Help Weather A Pandemic

By Jamie Yoo

Cybercriminals love a crisis. Panic-inducing events such as the COVID-19 pandemic prove to be lucrative opportunities for the unscrupulous to capitalize on fear. Social engineering attacks tailored to exploit the public unease surrounding the coronavirus have been on the rise. One sophisticated attack falsely claimed to be from the World Health Organization. The phony email included an attachment purportedly containing updated safety measures and treatments for symptoms. It exploited the public's hope for a swift end to the pandemic but, in reality, concealed malware designed to steal personal information.



The coronavirus pandemic has forced major changes to the ways we work and carry out day-to-day activities. Millions of Americans have been required to adapt quickly in order to work remotely. For CPAs, the adjustment has occurred during the height of busy season. The shift in where CPA firm employees work has resulted in significant changes to the way practitioners interact with clients and collaborate with one another. Social distancing and limitations on in-person meetings have created heavier-than-usual reliance on virtual and electronic communication. Just as work-

ing remotely enables CPA practices and their employees to continue to serve clients during the pandemic, the responsibility of every practitioner to secure confidential client data continues as well.

In light of the ongoing cybersecurity threats caused by the pandemic environment, CPAs should exercise enhanced cautionary measures in order to avoid falling victim to schemes seeking to exploit security weaknesses and human psychology. Fortunately, both CPA firms and their employees can implement a number of measures to avoid such incidents and to protect and secure data.

ADDRESS THE RISKS OF ACCESSING SENSITIVE DATA REMOTELY



Ideally, data should be encrypted, whether in transit or at rest. To access the firm's systems remotely, employees may use home wireless networks, which may be less secure than accessing the same information from the office. Unsecured or less secure networks may offer a back door to malicious actors monitoring connections to harvest confidential information. For example, data sent in unencrypted form can be easily intercepted and stolen by cybercriminals. For this reason, security experts recommend that virtual private networks (VPNs) be used to route traffic to the firm's systems when working remotely, making it difficult for unauthorized parties to intercept the encrypted data and rendering it unreadable if they do.

REINFORCE SECURITY WEAKNESSES WITH PATCHES

Just as viruses mutate, cybercriminals' tactics to exploit and obtain access to sensitive data also evolve. Similar to vaccines, security patches are developed to help correct and address known vulnerabilities used by cybercriminals to gain unauthorized access to devices or applications. It is important for firms to periodically assess whether devices and systems are up to date with security patches and anti-virus solutions.

STAY ENGAGED WITH VENDORS

The pandemic has shifted the preferred way for conducting meetings, conferences, and even social events to online. With such a dramatic shift in a short period, a number of security weaknesses with certain platforms and vendors have been revealed. Many providers have responded with options for users to address security concerns. Rather than relying only on a vendor's reaction to security weaknesses, consider proactively managing vendor discussions in order to understand the controls or practices they may have in place to address any of the firm's security concerns. For example, to support the shift to remote working environments, many firms have implemented VPNs to permit employees secure access to firm resources. Consider discussing these changes with other vendors such as cloud service providers to determine whether changes affect the compatibility with the vendor's technical requirements.

PROMOTE EMPLOYEE SECURITY AWARENESS

Like taking showers and wearing clothes other than pajamas, data security may not be the first priority on a CPA firm's growing list of matters to be tackled. However, it is essential during this critical period of disruption that employees be reminded of the importance of maintaining cybersecurity hygiene.

Consider sending friendly reminders to firm employees that emphasize the importance of the following:

Employees should use only firm-issued or -approved devices to access company resources securely.

If employees are using personal devices for business purposes, they should strengthen the security settings on their devices. Electronic work files from company resources should remain on company issued or -approved devices, and not placed on personal devices.

Reinforce how to identify phishing emails:

- Links and attachments from unknown or untrusted senders should not be opened without careful inspection. When an embedded address appears suspicious or unfamiliar, hover over the link to view the full URL, or use URL checkers to confirm the safety of a suspicious link before clicking on it.
- Do not respond to requests for sensitive information (i.e., account details, tax return information), especially if the request is marked as "urgent," without verifying the validity of the requester, even if it appears to come from a colleague or client. If the request is obtained via email, always confirm directly with the requester using alternative, verified contact information such as phone numbers.

List the preferred tools and platforms employees are to use, such as cloud storage platforms, portals for sharing information, and virtual conferencing tools.

Provide employees with clear guidance on how to report technical issues and empower them to report suspicious activity.

EMPLOY STRONG AUTHENTICATION PRACTICES



The importance of using strong passwords and multifactor authentication to enhance security measures is nothing new. Now is not the time to allow these security measures to lapse or weaken. Refer to guidance on best practices outlined in NIST Special Publication 800-63, Digital Identity Guidelines (available at tinyurl.com/szwfaat), and continue to use strong password and authentication practices, including:

- Password length: Should be 8-20 characters.
- Password complexity: Consider requiring a combination of capital and lowercase letters, numbers, and special characters.
- Password protection: Passwords and user IDs should never be shared.

FINAL THOUGHTS

The coronavirus has been widely referred to as the “invisible enemy.” This is a reminder that the invisible or intangible can have an impact as significant as physical threats,

such as accidents or crime. Security risks take on similar characteristics, with the impact made tangible in the form of information compromised, reputation damaged, or dollars lost.

Depending upon the size of the CPA practice, the aforementioned tips and advice may seem too daunting and technical to tackle. Just as the global response to the COVID-19 pandemic has been multifaceted, requiring collaboration and support, a CPA firm’s approach to addressing data security risk should be similar. The firm’s leadership sets the tone and prioritizes data security. IT professionals are then empowered to establish security protocols to address the firm’s data security risk. Finally, every individual at the firm is responsible for doing his or her part in maintaining cybersecurity hygiene.

Culled from CPA Magazine May 2020

TECHNICAL MATTERS

Potential Threats arising from the Provision of Tax Services to Audit Clients

Introduction

Firms are required to comply with the fundamental principles, be independent, and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence. Firms and network firms might provide a range of non-assurance services to their audit clients, consistent with their skills and expertise. Providing non-assurance services, particularly tax services, to audit clients might create threats to compliance with the fundamental principles and threats to independence.

This article sets out requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to independence when providing tax services to audit clients. In addition to the general provisions that apply in all circumstances, there are some requirements that expressly prohibit a firm or a network firm from providing certain tax services to an audit client because the threats created cannot be eliminated and safeguards are not capable of being applied to reduce the threats to an acceptable level.

Description of Service

Tax services comprise a broad range of services. This paper deals specifically with:

- Tax return preparation.
- Tax calculations for the purpose of preparing accounting entries.
- Tax advisory services
- Tax planning services
- Tax services involving valuations.
- Assistance in the resolution of tax disputes.

It is possible to consider tax services un-

der broad headings, such as tax planning or compliance. However, such services are often interrelated in practice and might be combined with other types of non-assurance services provided by the firm such as corporate finance services. It is, therefore, impracticable to categorize generically the threats to which specific tax services give rise.

Potential Threats Arising from the provision of Tax Services

Providing tax services to an audit client might create a self-review threat when the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion. Such services might also create an advocacy threat. Factors that are relevant in identifying self-review or advocacy threats, and evaluating the level of any such threats created by providing any tax service to an audit client include:

- The particular characteristics of the engagement.
- The level of tax expertise of the client's employees.
- The system by which the tax authorities assess and administer the tax in question and the role of the firm or network firm in that process.
- The complexity of the relevant tax regime and the degree of judgment necessary in applying it.

A firm or a network firm shall not provide a tax service or recommend a transaction to an audit client if the service or transaction relates to marketing, planning, or opining in favour of a tax treatment that was initially recommended, directly or indirectly, by the firm or network firm, and a significant purpose of the tax treatment or transaction is tax avoidance, unless that treatment has a basis in applicable tax law and regulation that is likely to prevail. Unless the tax treatment has a basis in applicable tax law and regulation that is likely to prevail, providing

the non-assurance service such as marketing, planning or opining in favor of the audit client, creates self-interest, self-review and advocacy threats that cannot be eliminated and safeguards are not capable of being applied to reduce those threats to an acceptable level.

A. Tax Return Preparation

Tax return preparation services include:

- Assisting clients with their tax reporting obligations by drafting and compiling information, including the amount of tax due (usually on standardized forms) required to be submitted to the applicable tax authorities.
- Advising on the tax return treatment of past transactions.

Responding on behalf of the audit client to the tax authorities' requests for additional information and analysis (for example, providing explanations of and technical support for the approach being taken).

Potential Threats Arising from the Provision of Tax Return Preparation Services

Providing tax return preparation services does not usually create a threat because:

- a) Tax return preparation services are based on historical information and principally involve analysis and presentation of such historical information under existing tax law, including precedents and established practice; and
- b) Tax returns are subject to whatever review or approval process the tax authority considers appropriate.

B. Tax Calculations for the Purpose of Preparing Accounting Entries

This service involves the preparation of calculations of current and deferred tax liabilities or assets for the purpose of preparing accounting entries supporting tax assets or liabilities in the financial statements of the audit client.

Preparing tax calculations of current and deferred tax liabilities (or assets) for an audit client for the purpose of preparing accounting entries that support such balances create a self-review threat.

Audit Clients that are Not Public Interest Entities

A self-review threat is created when preparing tax calculations of current and deferred tax liabilities (or assets) for an audit client that is not a public interest entity for the purpose of preparing accounting entries. A factor that is relevant in evaluating the level of self-review threat created, such as the particular characteristics of the engagement, the level of tax expertise of the client's employees, etc., is whether the calculation might have a material effect on the financial statements on which the firm will express an opinion.

Examples of actions that might be safeguards to address such a self-review threat when the audit client is not a public interest entity include:

- Using professionals who are not audit team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.

Audit Clients that are Public Interest Entities

A firm or a network firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for an audit client that is a public interest entity if such calculations will create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion.

C. Tax Advisory and Tax Planning Services

Tax advisory and tax planning services comprise a broad range of services, such as advising the client how to structure its affairs in a tax efficient manner or advising on the application of a tax law or regulation.

Potential Threats Arising from the Provision of Tax Advisory and Tax Planning Services

Providing tax advisory and tax planning services might create a self-review threat when the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion. Such services might also create an advocacy threat.

Providing tax advisory and tax planning services, will not create a self-review threat if such services:

- (a) Are supported by a tax authority or other precedent;
- (b) Are based on an established practice (being a practice that has been commonly used over a long period and has not been challenged by the relevant tax authority); or
- (c) Have a basis in tax law that is likely to prevail.

In addition to those identified above, factors that are relevant in identifying self-review or advocacy threats, and evaluating the level of any such threats created by providing tax advisory and tax planning services to audit clients include:

- The degree of subjectivity involved in determining the appropriate treatment for the tax advice in the financial statements.
- Whether the tax treatment is supported by a ruling or has otherwise been cleared by the tax authority before the preparation of the financial statements.
- The extent to which the outcome of the tax advice might have a material effect on the financial statements.

When Effectiveness of Tax Advice Is Dependent on a Particular Accounting Treatment or Presentation

A firm or a network firm shall not provide tax advisory and tax planning services to an audit client when:

- (a) The effectiveness of the tax advice de-

pends on a particular accounting treatment or presentation in the financial statements; and

- (b) The audit team has doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

Audit Clients that are Not Public Interest Entities

Examples of actions that might be safeguards to address threats arising from the provision of tax advisory and tax planning services to an audit client that is not a public interest entity include:

- Using professionals who are not audit team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer, who was not involved in providing the service, review the audit work or service performed might address a self-review threat.
- Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.

Audit Clients that are Public Interest Entities***Self-review Threats***

A firm or a network firm shall not provide tax advisory and tax planning services to an audit client that is a public interest entity if the provision of such services will create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion.

Advocacy threats

Examples of actions that might be safeguards to address an advocacy threat created by tax advisory and tax planning services for an audit client that is a public interest entity include:

- Using professionals who are not audit team members to perform the service.
- Obtaining pre-clearance from the tax authorities.

D. Tax Services involving Valuations

The provision of tax services involving valuations can arise in a range of circumstances and include:

- Merger and acquisition transactions
- Group restructurings and corporate reorganizations
- Transfer pricing studies
- Stock-based compensation arrangements

Potential Threats arising from the Provision of Tax Services involving Valuations

Providing valuation for tax purposes to an audit client might create a self-review threat when the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion. Such services might also create an advocacy threat. When a firm or a network firm performs a valuation for tax purposes to assist an audit client with its tax reporting obligations or for tax planning purposes, the result of the valuation might:

(a) Have no effect on the accounting records or the financial statements other than through accounting entries related to tax. In such situations, the requirements and application material set out in this subsection apply.

(b) Affect the accounting records or the financial statements in ways not limited to accounting entries related to tax, for example, if the valuation leads to a revaluation of assets. In such situations, the requirements and application material set out in the Code relating to valuation services apply.

Audit Clients that are Not Public Interest Entities

A firm or a network firm might perform a valuation for tax purposes for an audit client that is not a public interest entity where the result of the valuation only affects the accounting records or the financial statements through accounting entries related to tax. This would not usually create threats

if the effect on the financial statements is immaterial or the valuation is subject to external review by a tax authority or similar regulatory authority.

If the valuation that is performed for tax purposes is not subject to an external review and the effect is material to the financial statements, in addition to those identified in the Code, the following factors are relevant in identifying self-review or advocacy threats, and evaluating the level of such threats, created by providing those services to an audit client that is not a public interest entity:

- The extent to which the valuation methodology is supported by tax law or regulation, other precedent or established practice.
- The degree of subjectivity inherent in the valuation.
- The reliability and extent of the underlying data.

Examples of actions that might be safeguards to address threats for an audit client that is not a public interest entity include:

- Using professionals who are not audit team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.
- Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.

Audit Clients that are Public Interest Entities

Self-review Threats

A firm or a network firm shall not perform a valuation for tax purposes for a public interest entity if the provision of that service will create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion, unless:

- a) The underlying assumptions are either established by law or regulation, or are widely accepted; or

b) The techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation, and the valuation is subject to external review by a tax authority or similar regulatory authority.

Advocacy Threats

Examples of actions that might be safeguards to address an advocacy threat for an audit client that is a public interest entity include:

- Using professionals who are not audit team members to perform the service.
- Obtaining pre-clearance from the tax authorities.

E. Assistance in the Resolution of Tax Disputes

A non-assurance service to provide assistance to an audit client in the resolution of tax disputes might arise from a tax authority's consideration of tax calculations and treatments. Such a service might include, for example, providing assistance when the tax authorities have notified the client that arguments on a particular issue have been rejected and either the tax authority or the client refers the matter for determination in a formal proceeding before a tribunal or court.

Potential Threats Arising from the Provision of Assistance in the Resolution of Tax Disputes

Providing assistance in the resolution of a tax dispute to an audit client might create a self-review or advocacy threat. In addition to those identified in the above paragraphs, factors that are relevant in identifying self-review or advocacy threats, and evaluating the level of any such threats, created by assisting an audit client in the resolution of tax disputes include:

- The role management plays in the resolution of the dispute.
- The extent to which the outcome of the dispute will have a material effect on the financial statements on which the firm

will express an opinion.

- Whether the firm or network firm provided the advice that is the subject of the tax dispute.
- The extent to which the matter is supported by tax law or regulation, other precedent, or established practice.
- Whether the proceedings are conducted in public.

Audit Clients that are Not Public Interest Entities

Examples of actions that might be safeguards to address threats for an audit client that is not a public interest entity include:

- Using professionals who are not audit team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed might address a self-review threat.

Audit Clients that are Public Interest Entities

Self-review Threats

A firm or a network firm shall not provide assistance in the resolution of tax disputes to an audit client that is a public interest entity if the provision of that assistance will create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion.

Advocacy Threats

An example of an action that might be a safeguard to address an advocacy threat for an audit client that is a public interest entity is using professionals who are not audit team members to perform the service. Resolution of Tax Matters including acting as an Advocate before a Tribunal or Court Audit Clients that are Not Public Interest Entities

A firm or a network firm shall not provide tax services that involve assisting in the resolution of tax disputes to an audit client that is not a public interest entity if:

- a) The services involve acting as an ad-

vocate for the audit client before a tribunal or court in the resolution of a tax matter; and

b) The amounts involved are material to the financial statements on which the firm will express an opinion.

Audit Clients that are Public Interest Entities

A firm or a network firm shall not provide tax services that involve assisting in the resolution of tax disputes to an audit client that is a public interest entity if the services involve acting as an advocate for the audit client before a tribunal or court.

The issues raised in the above paragraphs do not preclude a firm or a network firm

from having a continuing advisory role in relation to the matter that is being heard before a tribunal or court, for example:

- Responding to specific requests for information.
- Providing factual accounts or testimony about the work performed.
- Assisting the client in analyzing the tax issues related to the matter.

What constitutes a “tribunal or court” depends on how tax proceedings are heard in the particular jurisdiction.

Source: www.iesba.org/publications; Proposed Revisions to the Non-Assurance Services Provisions of the Code

QUOTES

“Insanity is doing the same thing, over and over again, but expecting different results.”
(Narcotics Anonymous)

“There are only two ways to live your life. One is as though nothing is a miracle. The other is as though everything is a miracle.”
(Albert Einstein)

“Who are you to judge the life I live? I know I’m not perfect -and I don’t live to be- but before you start pointing fingers... make sure your hands are clean!”
(Bob Marley)

“Life is like riding a bicycle. To keep your balance, you must keep moving.”
(Albert Einstein)

“Today you are You, that is truer than true. There is no one alive who is You’re than You.”
(Dr. Seuss, Happy Birthday to You!)

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