

TAG-Audit Newsletter

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Talal Abu-Ghazaleh & Co. International (TAG-Audit) is a leading global accounting and auditing firm. It is considered as an independent member company of Talal Abu- Ghazaleh organization (TAG-Org). TAG-Audit provides a complete range of internal auditing, external auditing, taxation, and other financial services based on international professional standards.

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Opening Session of the ‘Forum on Boosting Economic Integration among Arab Countries’

CAIRO – The ‘Forum on Boosting Economic Integration among Arab Countries’, organized by the Arab Administrative Development Organization (ARADO) and the Arab Parliament has started in Cairo.

In his keynote address, HE Dr. Talal Abu-Ghazaleh, founder and chairman of Talal Abu-Ghazaleh Global (TAG.Global), tackled several important issues regionally and globally, highlighting the role technology plays in increasing the knowledge and awareness of Arab citizens.

That was in the presence of Speaker of the Arab Parliament Mr. Adel bin Abdulrahman Al-Assoumi, ARADO General Director Mr. Nasser Al Hatlan Al- Qahtani, Egypt’s Minister of Supply and Internal Trade, Dr. Ali Moselhi, Egypt’s Minister of Finance, Dr. Mohammad Maait, Sudan’s Minister of Trade and Supply, Dr. Amal Saleh Saad, and the Secretary-General of the Union of Arab Chambers, Dr. Khaled Hanafi. Other attendees included the President of the Arab Authority for Agricultural Investment and Development, Mr. Mohamed bin Obaid Al Mazrooei, and Former Director of Trade in Services and Investment Division of the World Trade Organization (WTO), Dr. Abdel-Hamid Mamdouh.

Furthermore, Dr. Abu-Ghazaleh affirmed the importance of Arab solidarity, saying that the Arab states should maintain self-sufficiency production in three main areas: food, medicine and technology.



He also noted that giving much attention to infrastructure is the right path the Arab countries should take, as has been implemented in Egypt. “Pleasing the peoples is a negative thinking. If you please the peoples at the expense of the infrastructure, this will lead to many problems in the future.” Dr. Abu-Ghazaleh said, adding: “What President Abdel Fattah Al-Sisi is doing needs courage and future perspective which many leaders lack. The President elevated the Egyptian economy to reach the seventh rank by 2030 based on reports issued by American research centers ,which I saw and are available for everyone to check. I assure you that Egypt will even become in the 6th place not 7th ahead of Turkey, based on statistics and figures, not predictions.”

At the end of the opening session, Speaker of the Arab Parliament Mr. Al-Assoumi, and ARADO General Director Mr. Al- Qahtani, presented the Forum Shield to Dr. Abu-Ghazaleh in recognition of his continuous efforts and active participation.

Abu-Ghazaleh: We will launch new training programs, with special focuses on linking accounting with IT



AMMAN - The International Arab Society of Certified Accountants (IASCA) held its annual meeting for members of the Board of Directors and General Assembly, chaired by HE Dr. Talal Abu-Ghazaleh, founder and chairman of IASCA, in Amman with the attendance of a group of IASCA's professional members from various Arab countries.

During the meeting, the 2021 annual report of IASCA's activities was reviewed in addition to the financial statement and the budget, while other important issues were discussed, the most crucial of which is the training programs that keep pace with the digital development and transformation.

The programs aim at assisting accountants and auditors in performing their tasks with less time and effort compared to the current circumstances, such as the "Budgets" training program; which seeks to help entrepreneurs evaluate their businesses by comparing budgets to actual results.

During the meeting, Dr. Abu-Ghazaleh highlighted the need of exerting extensive and continuous efforts to encourage Arab countries to adopt the International Public Sector Accounting Standards (IPSAS) and convert from cash basis to accrual basis accounting. He pointed out that IASCA would shortly develop a detailed guidance plan on how to convert the cash basis to the accrual

basis accounting, to help all the countries that seek to adopt the accrual basis for budgeting.

Dr. Abu-Ghazaleh, further, indicated that one of the most important issues that should be highlighted in the coming stage is the control of illegal funds and the anti-money laundering mechanisms. Therefore, a team from IASCA will prepare a draft about the control of illegal funds in accordance with internationally adopted standards to be at the disposal of Arab governments and competent departments.

One of the important topics discussed by the participants was the relation between IASCA and the International Federation of Accountants (IFAC), as well as the contributions that IASCA made to encourage and assist the national associations in the Arab countries to join the Federation.

It is worth mentioning that the International Arab Society of Certified Accountants (IASCA) was established as a non-profit, professional, accounting body in 1984, in the city of London, UK, IASCA and was officially registered in Amman in 1994. IASCA aims at advancing accounting, auditing and other related disciplines at the international level, in addition to preserving professional independence and assuring the protection of accountants and applying the standards of professional supervision as a means to advance the professions of accounting and auditing.

Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12- Conclusion

The International Accounting Standards Board (IASB) has published a Project Report and Feedback Statement concluding its Post-implementation Review (PIR) of the following accounting standards:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements; and
- IFRS 12 Disclosure of Interests in Other Entities.

Feedback from stakeholders and research undertaken as part of the PIR shows that the requirements set out in the Standards are working as intended and that application of the requirements did not give rise to unexpected costs.

Based on the evidence gathered the IASB assessed that none of the matters arising from the PIR were of high or medium priority.

Five topics were identified as low priority and these could be explored if they are judged to be of high priority in the next agenda consultation. The five topics are:

- subsidiaries that are investment entities;
- transactions that change the relationship between an investor and an investee;



- transactions that involve ‘corporate wrappers’;
- collaborative arrangements outside the scope of IFRS 11; and
- additional disclosures about interests in other entities.

Stakeholders requiring further guidance are encouraged to submit questions to the IFRS Interpretations Committee, provided that these questions meet the submission criteria.

The IASB conducted this PIR process from 2019 to 2022. It sought feedback from companies, investors, auditors, standard-setters, regulators and academics. More than 35 meetings were held to consult with stakeholders and other consultative bodies in the second phase of the PIR.

<https://www.ifrs.org/news-and-events/news/2022/06/post-implementation-review-of-ifrs-10-ifrs-11-and-ifrs-12-conclusion/>

USAID Joins IFAC, The Global Fund, and Gavi in Efforts to Strengthen Public Financial Management in the Public Health Sector

USAID (United States Agency for International Development) has joined the International Federation of Accountants (IFAC); The Global Fund to Fight AIDS, Tuberculosis and Malaria; and Gavi, the Vaccine Alliance, in signing a Memorandum of Understanding (MOU) to support in-country financial management. The agreement supports programming for local accountancy and finance professionals and efforts to improve financial transparency, accountability, and anti-corruption efforts in the public health sector.

The MOU supports continued donor collaboration, the importance of which was emphasized during the COVID-19 pandemic, and the need for accountability and transparency on the use and stewardship of funds. The partnership between IFAC, USAID, The Global Fund, and Gavi demonstrates a shared commitment to strengthening public financial management globally. Through this agreement, USAID, IFAC, the Global Fund, and Gavi seek to strengthen accountancy and financial



professionals’ expertise and help close the gaps in accountancy skills in implementing countries, which can impact the reliability and effectiveness of managing and disbursing funds. The MOU builds on a 2011 agreement and aims to optimize the joint efforts of global partners to maximize the performance of investments and support the sustainability of health programs.

Ultimately, this partnership will help improve the integration of donor investments into country systems, strengthen internal controls to reduce fiduciary and financial risks, enhance absorption of grants, and produce greater impact.

<https://www.ifac.org/news-events/2022-06/usaids-joins-ifac-global-fund-and-gavi-efforts-strengthen-public-financial-management-public-health>

Sustainable debt key to financing economic transition: IFAC and CPA

Canada study

Countries around the world are searching for ways to shift capital investments into activities that support the transition to a more sustainable, low-carbon economy. To finance that massive change, investors and regulators are looking to the sustainable debt market as an important vehicle in raising funds to finance projects that advance environmental, social and governance (ESG) objectives.

“Trust and confidence in this relatively new, still evolving, and rapidly expanding market is critical,” said Kevin Dancey, CEO of the International Federation of Accountants (IFAC). “Like any financial innovation, there are challenges. Smart regulation, standardization and external verification or assurance are needed to protect investor interests, mitigate the risk of greenwashing and enhance transparency. Verifying the details of these bond programs—both pre-issuance and in the form of annual updates for investors—is an essential part of maintaining integrity. The accountancy profession can help drive progress.”

A new, comprehensive study that delves into the challenges and opportunities that exist in the sustainable debt market – Navigating the sustainable debt market: Enhancing credibility in an evolving market – is the result of a collaborative effort by IFAC and Chartered Professional Accountants of Canada (CPA Canada), who recruited PwC Canada to conduct the underlying research.

While the sustainable debt market has evolved significantly over the last few years, the study identified a number of issues that need to be addressed for the benefit of all capital market



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participants. These challenges include: the proliferation of voluntary, market-driven guidance; lack of a common understanding of what projects and activities qualify as “green” or “sustainable”; and inconsistent reporting, impact measurement, external review and assurance practices.

“Sustainability is increasingly being integrated into business, investment and financing decisions,” said Pamela Steer, president and CEO, CPA Canada. “Serving the public interest is core to the global accounting profession. It has a critical role to play in advancing sustainable finance. Collectively, the profession will continue to advocate for better policy, regulation and standards in this area and the study will help inform the dialogue.”

As part of the overall push to make sustainability front and centre for business, IFAC and CPA Canada welcome the establishment of the International Sustainability Standards Board (ISSB) by the IFRS Foundation. Globally accepted sustainability standards will enhance the credibility of ESG disclosures by improving their consistency and comparability and this will help mitigate some of the challenges identified in the report.

<https://www.ifac.org/news-events/2022-06/sustainable-debt-key-financing-economic-transition-ifac-and-cpa-canada-study>

Assurance in the digital age

The fourth industrial revolution is reshaping the world we live and work in. This revolution presents significant opportunities for audit and assurance. The ever-growing availability of data combined with emerging technologies offer new ways for assurance professionals to enhance trust and confidence in their work.

For the audit and broader assurance profession, the emergence of new digital tools represents a



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real opportunity to attract a new generation of professionals to this noble profession.

In some ways, the accounting and auditing world is catching up to the digital transformation that many industries have already experienced. Retail, hospitality, transport, entertainment,

energy and many, many more have undergone disruption via new entrants and completely improved customer experience. In fact, it's harder to think of an industry that hasn't been disrupted by technology than one that has. If an industry hasn't been disrupted yet, it's only a matter of time.

At the International Auditing and Assurance Standards Board (IAASB), we are determined to ensure that our standard-setting keeps pace and is prepared to adapt to disruptive technologies. We do so without losing our focus on setting high quality standards that strengthen public confidence in audits and assurance.

Technology is one of IAASB's most relevant strategic drivers influencing our standards and future activities. Our technology initiative has three objectives:

1. Build processes and structures to support the IAASB's disruption initiative.
2. Maintain and improve the IAASB's knowledge about disruption trends and their implications for standard-setting and the public interest.
3. Share knowledge and agenda with stakeholders in the reporting community to improve audit and assurance quality and thereby improve reporting quality.

Staying close to new technological developments is key to understanding what's coming and in 2020 we carried out a research study with support from Founders Intelligence, a leading technology consultancy, to identify the leading disruptive technologies that could impact audit and assurance.

This research included investigating over 100 technology innovator companies and interviewing over 20 organizations across the industry including audit and assurance practitioners, national standard setters, regulators, and professional accounting organizations as well as founders and management of technology startups. We sought to categorize the various technologies we identified into those impacting the way information is accessed, verified, and protected as well as those that impact procedures related to assessing internal controls. We obtained insights into the expected timing of widescale

adoption of these technologies within audit and assurance as well as gaining an understanding of their potential impact on the profession.

Based on the research undertaken, we identified four common themes about how technology is, and will continue to, disrupt the audit and assurance profession:

- Audits and assurance procedures performed on a more continuous and real time basis.
- An audit or assurance engagement that is increasingly analytics based, including making use of artificial intelligence and machine learning in performing analytics.
- An audit and assurance engagement that is increasingly performed remotely.
- Audit and assurance becoming a more technology-enabled profession, where more professionals can understand, use, and leverage advancements in technology in their day-to-day work.

The IAASB discussed these findings from this research in January 2021. We held two roundtables, in November 2020 and February 2022, where the innovators behind selected technologies were invited to share more about the technology and to answer questions about it from participants representing the global audit and assurance ecosystem.

Our focus did not stop there. We continue to commit dedicated resources to carry on this research and maintain the horizon watch for disruptive technologies that might impact audit and assurance.

We are upskilling IAASB members and staff to ensure we obtain a good understanding of the technologies that have the potential to disrupt audit and assurance and can factor these considerations into our current and future workplan activities.

Our bi-monthly Market Scan publication focuses on a different technology and presents a high-level understanding as well as technology trends, industry and startup driven innovation in audit and assurance and what it might mean for the IAASB.

We are committed to building processes and structures to stay informed about technology and potential disruptions. To this end we have

set up a Digital Advisory Group made up of a small number of innovators and business leaders to help influence the IAASB's thinking about the technology environment, different technologies and how those technologies may require standard setters, including the IAASB, to act.

This group, comprised mostly of experts from outside the audit and assurance profession, will be asked to comment on technology and innovation topics related to assurance and to bring valuable points of view that may differ from the IAASB's usual stakeholder outreach. The intelligence obtained from this group will be used to update the IAASB's research to date and focus other information gathering activities.

Over the coming years, we will translate these lessons into real standard-setting inputs. In our ongoing work on audit evidence, fraud, and going concern, the IAASB will account for the impact of new technologies. Going forward, we will need to think about whether the use of the technology

becomes the norm in fulfilling audit and assurance requirements and how that will impact our thinking on the scalability of our standards.

We know from our outreach activities that many national standard setters, regulators, audit firms and professional accounting organizations are similarly committing resources and effort into determining what the impact of technology will mean for auditing standards and for our profession. This is encouraging and crucial. All players in the industry have a responsibility to upskill themselves, engage in the conversations about technology disruption and share their experiences as well as the challenges they are encountering. It is only through our collective commitment to digital transformation that we will be able to move forward as a profession and continue to fulfil the valuable societal role that is our guiding purpose as well as creating an exciting future for our professionals.

<https://www.iaasb.org/news-events/2022-07/assurance-digital-age>

Balancing urgency and effectiveness in international sustainability assurance standards

With global assets in sustainability and ESG-related investment vehicles due to surpass \$53 trillion by 2025, the need for reliable, neutral, and comprehensive frameworks for reporting sustainability information is evident. And policymakers and regulatory bodies have taken note. The European Union (EU) continues to negotiate terms for its Corporate Sustainability Reporting Directive. This past March, the U.S. Securities and Exchange Commission proposed new rules regarding disclosure of climate-related risks. The newly formed International Sustainability Standards Board (ISSB), which has support of the G20 and others, issued their exposure drafts for sustainability reporting for public comment. The International Organization of Securities Commissions and Financial Stability Board weighed in on climate-related disclosures as well.

As a result, we face a critical moment: the growing desire globally to develop reliable, high-quality sustainability reporting as a key element of corporate reporting is leading to new



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requirements and heightened expectations. This will be a journey, and some level of patience is needed. The data capture, information systems, and processes within many organizations needed to report reliably on sustainability are, understandably, in the process of maturing.

Like in the world of financial reporting, external assurance has a key role in contributing to reporting reliability. Supporting investors and regulators' trust in the sustainability information reported is the goal. Robust assurance standards that offer a consistent approach across borders for opining on organizations' sustainability reports should facilitate that goal.

We at the International Audit Assurance and Standards Board (IAASB) hear the need for a global assurance standards solution. The IAASB already has well-established principles-based

and subject-specific standards and guidance that are being effectively applied. But we know there is further work to be done in bringing the existing standards and guidance together and supplementing them to address assurance of sustainability reporting specifically.

We've recently taken a big step forward; our March 2022 meeting provided our first opportunity to discuss the IAASB's actions in responding to the urgent need for an international assurance framework for sustainability reporting. In the discussion, the IAASB heard directly from investors that the reliability of sustainability reporting is crucial for decision making. The need for urgent and effective action, which balances global consistency and flexibility to accommodate regional variations, was clear.

The IAASB is committed to leading this effort to create new "sustainability bespoke" assurance standards. We are now in the process of identifying the specific approach to building these standards that will have the greatest impact on establishing high-quality assurance to support reliable sustainability reporting. We have determined that the new sustainability assurance standards will need to be framework-agnostic and principles-based—they will need to work with all sustainability/ESG reporting frameworks. We also expect that the sustainability assurance standards will need to be developed in a phased approach. Initial actions shall focus on an overarching standard that addresses all areas of the engagement in principle, with specificity provided on key areas. Specificity across non-key areas of the assurance engagement will develop over a longer time horizon, factoring in the maturity and evolution of sustainability reporting and assurance.

We will be discussing the approach to standard-setting on sustainability assurance at our

IAASB meeting next week. The IAASB is hoping to have the proposed new sustainability assurance standards ready for public comment during the second half of 2023. Moving at this speed is possible in part because the current International Standards on Assurance Engagements (ISAEs), together with the non-authoritative sustainability assurance guidance, provide a robust starting point. We also plan to leverage the principles embedded in our International Standards on Auditing (ISAs), which are already used in 130 countries, are well known throughout the marketplace, and are trusted by investors and regulators.

Building a mature reporting and assurance ecosystem for sustainability will not happen overnight. The evolution of the ISAs, for example, has been an iterative affair since the 1970s. The process will—and should—take time. Nevertheless, to make progress, we cannot let perfect be the enemy of the good. Over time, as preparers, auditors, regulators, and investors gain experience, we can expect reporting frameworks and assurance standards to become increasingly refined, just as financial standards have evolved.

To continue to make progress, all stakeholders will need to remain in close collaboration. This will enable us to move quickly and boldly where and when we can. We expect a rapid transformation to occur in this space over the next decade. From there, global sustainability standards, like global financial audit standards, will be a stable platform, and our focus will on almost certainly be on continuous improvement.

<https://www.iaasb.org/news-events/2022-06/balancing-urgency-and-effectiveness-international-sustainability-assurance-standards>



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