mgi middle east & north africa

MEMBER OF THE FORUM OF FIRMS®

MENA NEWSLETTER

ISSUE 2, 2019

Dear Members,

As we reach the end of the year and the decade, I would like to thank all of you for your continued support and participation to help MGI Worldwide and the MENA Region. I also would like to reflect on the many happenings since my last address to you.

First and foremost, we had the MGI Annual General Meeting in October 2019, in my home city of Dubai, United Arab Emirates. I was delighted to see so many members from the MENA region in attendance, and happy to note that we have been able to carry on our momentum with increased member involvement well into 2019. The AGM gave attendees a chance to network with member firms all over the world, to share ideas and learn from the insightful speakers and group discussions that were planned.

It was of course a very important AGM for MGI as well, due to the vote on the merger of our network with CPAAI. As all of you know, the vote was overwhelmingly in favour of the merger, and we will now be a larger and more diverse organization from 1st January 2020. I would like to encourage all of you to reach out to CPAAI members in your respective cities and treat this event as an opportunity to learn and expand. I have already met one of the new members in Dubai and I have heard from a number of other members in the MENA region that have also reached out and the results have been only positive.

Shifting gears to the financial markets, the local governments in the GCC continue to seek ways to diversify revenues with Bahrain adopting VAT from 2019 and the UAE and Saudi expanding the scope of the existing excise taxes that were introduced in 2018. Aramco, the world's largest oil producer/refiner, based in Saudi Arabia, has planned to go public, while oil prices have remained stagnant over the past few years.

Elsewhere in Lebanon and Iraq, protests against the government have brought the country to a standstill and we pray that the people and the government are able to reach an agreement and restore peace and stability in the country.

Similarly, drone strikes have affected oil production in Saudi Arabia, and we can only hope for a swift resolution to conflict in Yemen.

One the regulatory front, IFRS 16 on leases has come into effect from January 2019 and companies are still coming to terms with updating their systems for the changes involved in treating long terms leases. We should use our newly expanded resources from the merger to share knowledge and help clients navigate these changes.

Let me conclude by saying that I hope to see all of you at the 2020 MENA regional meeting on the 9th of July 2020, where as a group we can debate these challenges and come up with ideas on how to manage them.

Wishing you, your loved ones and your colleagues happy holidays and a healthy and prosperous 2020.

Faiyaaz Rajkotwala
Area Leader – Middle East & North Africa

MGI WORLDWIDE MEETINGS 2020

Africa Regional meeting
20 - 21 March
Nairobi, Kenya

Latin America Region meeting
06 - 08 May
Buenos Aires, Argentina

North America Regional meeting
21 - 22 May
Austin, Texas, USA

MENA Regional meeting
9 July 2020
Muscat, Oman

MENA NEWSLETTER

ISSUE 2, 2019

MGI MENA NEWS

MGI MENA hosts the 2019 global AGM

MGI Salim Rajkotwala hosted a not to be forgotten AGM in Dubai on the 23-25 October. There was members from all parts of the world with strong representation from the MENA, Africa and Asia regions.

Thank you to MGI Salim Rajkotwala for putting on a great show & making MENA proud

MGI MENA MEMBER NEWS

SOAAC releases a Doing Business brochure showcasing the advantages of investing in Jordan

Scientific Office for Auditing, Accounting and Consulting (SOAAC) has produced a new brochure highlighting the benefits of doing business in Jordan, and offer their local and international assistance to firms wanting to invest in the heart of the Middle East at the crossroads of Asia, Africa and Europe.

MGI Vision Chartered Accountants listed as a Capital Market Authority (CMA) Oman approved auditor

MGI Vision is one of the only 10 professional accountancy firms in Oman to be approved by the CMA placing it as one of the top auditors of the Sultanate.

The CMA is the Omani government's regulatory authority responsible for regulating and supervision of the Muscat Security Market, listed companies, MCDC, insurance companies, agents and brokers, companies operating in the securities field and their agencies and mutual investment funds. The CMA sees the MGI Worldwide membership and its quality control process and the firms ongoing commitment to ensure they provide top-notch quality service with professionalism and integrity, as an important factor in their approval process.

MGI MENA members support and promote accounting education programs

An agreement was signed between Abdelghani Shamali Auditing Bureau and Palestine Technical University as part of the Integrative Education Program (Mihnati) for university students.

The aim of the program is to develop students' capabilities through education, and practical work experience.

The Scientific Office for Audit, Accounting and Consulting (SOAAC), was the official sponsor at the Applied Sciences University Jordan accounting contest held for the accounting students at the Faculty of Business. The firm has also provided scholarships to the winners.

MGI BFC Tunisia participated in the Tunisian Universities & Private Professional Training Centres Fair in Kinshasa, DRC.
The fair, which was held to promote Tunisian education and training services to the Congolese people, was attended by Nadia Yaich to specifically promote training in internal controls and risk management.

Boubyan Consulting & The Institute of Risk Management organise risk management seminar

The Institute of Risk Management (UK) (IRM) teamed up with their local partner & MGI Worldwide member in Kuwait Boubyan Consulting to offer a seminar for those wanting to find out more about building competence in risk management.

Hesham El Sakka, Managing Partner of Boubyan Consulting presented on the key challenges in risk management faced by companies in Kuwait

There was panel session to deliberate on 'What are the qualities of a great CRO - and how to recruit one'
The session chaired by Carolyn Williams Director of Corporate Relations from IRM and made up of
Fouad Al-Awadhi - Head of Enterprise Risk Management - Ooredoo Kuwait
Isa Ali - General Manager, Risk Management - Kuwait Telecommunications Company – Viva
Amira AbdelRahman Executive Vice President, Risk Management – National Investment Company

MGI GLOBAL NEWS

MGI Worldwide and CPAAI Merge to Create Major International Accounting Network

We will be merging with CPA Associates International CPAAI on 1 January 2020 to create an organisation with 257 member firms around the world.

The members voted in favour of the merger at the AGM in Dubai, UAE, will create an organisation with revenues approaching $1 billion, placing it in 16th position in the current global accountancy network ranking.

The merger will also offer member firms greater resources, access to more expertise in new jurisdictions, a wider range of services and stronger brand recognition.

MGI welcomes new members

C.R. Sharedalal & Co., based in Ahmedabad, in the state of Gujarat, India has joined our international accounting association in the September 2019.
The highly skilled and well-trained team of experienced chartered accountants at C.R. Sharedalal & Co. provide Audit & Assurance, Tax Advisory, & Financial Advisory services. They have been servicing clients since 1953 and are one of the leading firms of chartered accountants in Ahmedabad.

The Australasia region added Melbourne-based Dobbyn + Carafa to their already extensive network in Australia.

Dobbyn + Carafa is a relatively young firm who offers traditional services in a fresh, innovative way. They partner with businesses to deliver a 'one-stop-shop' for taxation, accounting, consulting and corporate advisory services and, since their founding in 2006, Dobbyn + Carafa have provided services in Business Advisory, Superannuation, Retirement and Estate Planning, Transaction Support, Strategy and Efficiency, Outsourcing, Assurance, Bookkeeping and Human Capital.

New Brazil-based member Quantrex, who has joined the network as our first Business Outsourcing Services (BPO) focused firm.
Quantrex is a technology-oriented firm based in São Paulo, who's main focus is on BPO – particularly F&A, tax and payroll, and consultancy, with an emphasis on M&A, start-ups, foreign investors advisory, tax compliance and legal support.

MGI regions continue to be top ranked

The International Accounting Bulletin continues to rank MGI Worldwide as one of the top 20 global accounting networks.

India
Despite its large size and the level of competition, MGI Worldwide is ranking in 11th position in India, with a growth of 15% in fee income over the past 12-months, from INR 196.2 million to INR 225.3 million.

Singapore
MGI Worldwide is placed in 16th place both in terms of its fee income of 8 million SGD and for its staff data, with a total of 57 staff

Japan
In Japan, MGI Worldwide's member firm Seiyu Audit Corporation has held on to 18th position in the top international accountancy networks, with a 2% rise in fee income from JPY 352 million last year, to JPY 357.3 million this year.

Vietnam
In Vietnam, MGI Worldwide is sitting strongly in 10th position, a staggering 20% growth in fee income over the past year, from VNDm 45,518.4 to VNDm 54,622.

Hong Kong
MGI Worldwide holds 13th position in the top international accountancy networks in Hong Kong in terms of its fee income, which saw an increase of 11 percent over the past year with a rise from HK$m 10.6 to HK$m 11.8

Australia
MGI Worldwide ranks at position 16 in Australia, with an increase in fee income from A$26.3 million to A$26.8 million, generated from a total of 29 partners and 131 professionals across our 8 offices.

New Zealand
MGI Worldwide also ranks excellently in New Zealand where we sit at position #8 for fee income, with a rise from 4.7 million NZ$ last year, to 4.8 million NZ$ this year, and at #10 for staff data.

Brazil
MGI Worldwide is ranking in 17th position in Brazil in terms of fee income over the past 12-months, and came 18th among Brazil's top accounting networks in relation to their staff data, with 53 staff members, comprised of 8 partners and 45 professionals across four offices.

Peru
The global accounting network ranks in 6th place in terms of its fee income with a huge 55% growth in fee income from 2.5 million PEN last year to 3.8 million PEN during the past 12 months.

Chile
In Chile, MGI Worldwide holds the 17th position in the top international accountancy networks, with a 44% rise in fee income from CLP 254.3 million last year, to CLP 365 million this year.

Columbia
MGI Worldwide ranks at position 14 in Colombia, with an increase in fee income from COP 2,973.8 million to COP 3,103.3 million, generated from a total of 60 staff made up of 6 partners and 54 professionals across two offices.

PROFESSIONAL NEWS FROM AROUND THE WORLD

4th edition:Guide to practice management for SMP's

IFAC has upated the Practice Management Guide to reflect changes made to the 2018 International Code of Ethics for Professional Accountants (including International Independence Standards).

The Guide provides comprehensive guidance to help small- and medium-sized practices (SMP) operate more efficiently in the increasingly complex and competitive global marketplace for professional services and is organised into eight stand-alone modules.
The update includes:

- Changes to section 7.2 'Professionalism and Ethics within the Firm';

- Information on identifying, evaluating and addressing threats; and
- Available safeguards to reduce threats to an acceptable level.

In order to help member organizations and practices maximize the Guide's use, IFAC provides a companion manual with suggestions on making best use of the Guide.

Click here to access the updated Practice Management Guide and Companion Manual on the IFAC website.

IFAC Launches "Exploring the IESBA Code"

Professional accountants and other business professionals are often faced with complicated, real world situations that are not black and white and demand pragmatic and ethical solutions. To help address these challenging situations, IFAC is releasing the first installment in a new series titled: Exploring the IESBA Code.

Through twelve monthly installments, Exploring the IESBA Code will take an in-depth look at the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). Each installment of the series will highlight different aspects of the Code in real-world situations, in a manner that is relatable and practical. A special focus will be placed on recent revisions to the Code.

The first installment of the Exploring the IESBA Code deals with the five Fundamental Principles of ethics, which establish the standard of behavior expected of all professional accountants - a standard which enable accountants to uphold their responsibility to act in the public interest.

Exposure draft of Conforming Amendements to the International Standards

The International Auditing and Assurance Standards Board (IAASB) is requesting public comments on its Exposure Draft focused on conforming amendments to the International Standards as a result of the revised International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). Comments are to be received no later than January 10, 2020.

The project aims to align the IAASB's International Standards with the revisions to the IESBA Code by way of conforming amendments, thus ensuring that the IAASB's International Standards can continue to be applied together with the IESBA Code.

This project falls under the umbrella of IAASB-IESBA coordination, a strategic commitment of the two Boards, and builds on their overarching commitment for enhanced connectivity and coordination to better serve the public interest.

To add your comments, click HERE.

ISA 540 (REVISED) IMPLEMENTATION SUPPORT: AUDIT CLIENT BRIEFING

The International Standard on Auditing (ISA) 540 (Revised) Implementation Working Group has prepared an Audit Client Briefing (Briefing) based on the Canadian Auditing Standard (CAS) Audit Client Briefing of the Chartered Professional Accountants of Canada (CPA Canada), published in October 2019 and is used with permission of CPA Canada.

The purpose of this Briefing is to make chief financial officers, other senior management responsible for financial statement preparation, and staff directly involved in determining accounting estimates aware of matters to consider in preparing for the auditor's requests pertaining to ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures.

DOWNLOAD THE FULL BRIEFING HERE

IAASB Tech Talk, November 2019

The International Auditing and Assurance Standards Board's (IAASB) Technology Working Group recently published its second Technology Communiqué, which provides an update on the IAASB's efforts to incorporate the use of technology by auditors in an ever changing audit environment. This communique also includes other relevant news and information relevant to technology.

This Communique does not constitute an authoritative pronouncement of the IAASB, nor does it amend, extend or override the ISAs or other of the IAASB's International Standards.

To view the Communique, click here.

MGI MENA COUNTRY UPDATE

Jordan issues regulation on work permit fees

On 2 September 2019, the Jordanian Council of Ministers issued regulation to address the issue of illegal workers in Jordan which impacts any local or foreign employer that hires non-Jordanians to undertake work activities across all industries.

Work permit issuance and renewal fees
Employers were previously only required to pay nominal fees in order to obtain work permits for their foreign workers. The regulation includes revised government fees for work permit issuance as well as renewal applications for different categories of workers. It also applies to employers that have failed to apply for work permits for their foreign workers; such employers would be required to rectify their noncompliance and pay the application fees for each year a work permit was not issued.

Other fees
The new regulation imposes a fee of JOD10 (USD14) for any of the following applications:

- Exit and re-entry permit
- Final exit documents
- Work permit replacement
- No objection document for a refund of social security contributions of foreign workers

The regulation also imposes a fee of JOD100 (USD141) on an employer or sponsor for cancelling a filed work permit application that is being processed.

Penalty for noncompliance
Failure to renew a work permit within 90 days from expiry will result in a penalty of 50% of the work permit application fee imposed on the employer.

Source: EY Tax Insights

Introduction of a new tax institution

By order of Royal Decree on 13 October 2019, Oman has established a new tax authority – the Tax Institution – which reports to the Council of Ministers. The institution will have its own legal identity and enjoy financial and administrative independence.

The Decree provides that all the specializations, powers, prerogatives, allocations and assets of the Secretariat General of Taxes ("SGT") at the Ministry of Finance ("MOF"), as well as the employees of the SGT shall be transferred to the Institution.

There is no change to the provisions of existing tax law and related regulations, except for replacing the phrases "Secretariat General of Taxes" and "Secretary General of Taxes" with "The Tax Institution" and "The Head of Tax Institution", respectively.

The by-laws and organizational structure of the Tax Institution are yet to be issued

Source: PwC website

Saudi Arabia's Tax Authority GAZT has started requesting taxpayers' transfer pricing documentation.

Under the KSA transfer pricing bylaws, which were introduced in February 2019 and are applicable for tax returns filed on or after 1 January 2019, taxpayers are required to prepare transfer pricing documentation (local file and master file) at the time of filing their tax return. After submission of the tax return and the required disclosure form summarizing transfer pricing information, the GAZT may request that the taxpayer furnish these within 30 days.

In July 2019, the GAZT started sending notices to taxpayers that they must submit their transfer pricing documentation to the tax authorities. The requests for documentation have not been made by the GAZT on a standalone basis, but are part of a broader information-gathering process to kick-start a broader tax audit.

The GAZT also has updated the Taxpayers Services Catalogue on its website. The catalogue describes the process for submission of transfer pricing documentation, which includes uploading the documentation onto the GAZT portal after logging in with the taxpayer's credentials.

The catalogue indicates that in addition to the master file and the local file, the GAZT may request other relevant documents related to transfer pricing. The catalogue clarifies that the GAZT will provide 30 business days to taxpayers to submit their transfer pricing documentation.

Source: Deloitte tax@hand

List of sectors in which increased foreign ownership permitted approved

Federal Law No. 19 of 2018 on foreign direct investment (FDI), which became effective in the UAE on 30 October 2018, provides a regulatory framework allowing foreign investors to own up to 100% of the shares in certain companies established after 30 October 2018 in the UAE mainland.

Under the FDI law, the foreign direct investment committee was tasked with producing a "Positive List" of economic sectors/operations eligible for more than 49% foreign ownership. The UAE cabinet approved the list on 2 July 2019. The list comprises 122 economic activities across 13 sectors that are eligible for up to 100% foreign ownership, including:

1. Administrative and support services;
2. Agriculture;
3. Art and entertainment;
4. Construction;
5. Educational activities;
6. Healthcare;
7. Hospitality and food services;
8. Information and communication;
9. Manufacturing;
10. Professional, scientific and technical activities;
11. Renewable energy;
12. Space; and
13. Transport and storage.

Although the UAE Cabinet permits up to 100% foreign ownership in each listed business activity, the Department of Economic Development (DED) of each Emirate has the discretion individually to specify the conditions that must be met and determine the level of foreign ownership. The rules provide for an application process; 100% foreign ownership is not granted automatically. A negative list also is available, setting out the sectors that are not eligible for increased levels of foreign ownership.

Source: Deloitte tax@hand

IDEAS & BEST PRACTICES

Top 5 Emerging Risks for CPAs

By Ken Mackunis

Risk can come from unexpected places. As CPAs look to capitalize on economic and industry trends to grow their business in 2020, they need to be vigilant in identifying and mitigating the risks that go hand in hand with the expansion of capabilities and capacity.

Here's a look at the top five areas that can pose the most risk – and reward – for CPAs in the new year.

1. Expand Your Infrastructure

Inadequate or outdated infrastructure not only causes headaches for your staff, but it also creates room for error. As firms expand, for example, their infrastructure needs to expand as well. Before rushing to implement the newest, often expensive platform to offer to clients, make sure that staff is fully trained and prepared to use the technology. Failing to do so can lead to exposures concerning quality control and management of client information.

In times of growth, risk tied to offering new services to clients can increases. These risks surface when firms launch practices that are simply outside of their expertise, setting them up for potential claims and lawsuits down the road. New ventures can give your bottom line a boost, but they require due diligence upfront to ensure they are the right fit for your firm and your team's expertise. Without that critical phase, you can inadvertently open your firm to risks.

Finally, thinking "big" is a must for firms as they grow. More clients mean more responsibilities and often, more people on staff. Issues that could be managed informally by a small circle of people become more complex and varied and require more formalized protocols as a firm grows.

2. Think Outside the Talent Box
As the baby boomers continue to exit the workforce, firms find themselves competing for a smaller pool of traditional accounting school graduates in the face of increased business needs. This workforce shortage can make for bad hiring decisions, so don't be in a rush to fill a role. Those hurried hires may just be out the door in less than a year or two.

Firms also need to take-a-look at who's on their staff and their skill sets, then identify gaps. As the range of services the accounting profession continues to evolve, the answer may not always be the traditional CPA candidate. Successful firms are recognizing that nontraditional, intellectual talent can pay off both internally and externally. For example, we're seeing more IT experts joining CPA firms to serve both client and firm needs.

And don't neglect your current employees – the new hires of today tend to stay for shorter periods of time. A focused retention plan can help increase employees' tenure, identify rising stars to groom, and alleviate some of the client risks tied to staff turnover. Taking steps to ensure that current employees feel supported and appreciated needs to be a priority. After all, it will benefit your firm in the long-term.

3. Learn to Love Documentation
Claim activity against accountants may increase in 2020. And we believe many of these claims against CPAs will result from growth into service areas outside of the firm's traditional expertise, such as delivering family office services, providing broader guidance such as generational wealth transfer, management of investments and succession, or even taking on interim CFO duties. However, just as many – if not more – will come from engagement scope creep. Far too many CPAs informally provide advice or take on these additional tasks without updating their engagement letters – a move that leaves them vulnerable to lawsuits if things don't work out the way the client envisioned. Documentation that establishes and manages expectations is an absolute must to protect your firm.

4. Maintain Your Reputation
Many internal and external forces can threaten a firm's reputation every day. And that reputation can impact whether or not a potential client or employee decides to work with a firm. Potential risks can range from a cyber breach that divulges sensitive client information or claims of discrimination. Firms must be proactive and prepare for the worst. Some risks cannot be avoided, so make creating a crisis plan that you update and practice on a regular basis a priority. You must be prepared to address these issues as quickly as possible, and if one arises, run at it – the longer you let a situation fester, the worse it can become.

However, there are still many reputational risks that you can mitigate. Often the best way to do so is through documentation – whether that's a written social media policy for your staff, a formal career path document, an HR policy manual, or an engagement letter that you update and have the client sign every time your scope of work changes.

5. Secure Your Cyber Space
While CPAs might focus on the complexities of the technologies they are adopting, it's really the little things that can create the most risk. For example, many firms forget to make sure their staff truly knows how to use new technology platforms, opening the door for so many preventable risks. Others don't consider how new technologies could impact their arrangements with providers and what they mean for the delivery of services.

Cyber risks will continue to intensify in 2020. While things like firewalls and multi-factor authentication are good precautions to take to protect your firm from agile, clever hackers, basics like avoiding using unsecured personal devices while handling client data, changing passwords often, and keeping work devices off of public Wi-Fi are just as important. And if a security event does occur, cybersecurity insurance can support your firm and guide you through the steps to comply with applicable breach notification laws and recover from the event.

Finally, CPAs should remember that not all risks come from outside. A disgruntled current or former employee could easily compromise your data. Having robust internal security controls and updating passwords regularly can help mitigate the risks.

Ken Mackunis is the Executive Vice President, Aon Affinity, Professional Firms

Ten Steps to Successful Firm Risk Management

By Christopher Arnold & Monica Foerster

1. Start with a Quality Recruitment Process

The firm recruitment process should attract high-caliber employees who are trustworthy and honest and have the technical abilities required. Attention should also be focused on "soft skills" including good communication skills and the capability to work in a team, which supports high-performing practices. The references of short-listed applicants should be screened and checked, with any job offer conditional upon satisfactory validation of academic, professional, and reference records.

2. Ensure that Employees are Properly Trained

Good training programs provides employees with the adequate technical, communication and other initial important skills. It should show them how to deliver high-quality work, describe essential communication skills and reinforce the need for a professional approach in their dealings with clients and team members. The PM Guide includes a whole module 'People Power: Developing a People Strategy', which covers leadership, managing and retaining employees, recognition, training and development.

3. Do not Delegate Tasks beyond Capability Levels

Delegation is essential to allow for the continued growth of the firm. Good delegation will see that tasks are only delegated to employees capable of handling them. Effective delegation will stretch each employee's professional skills slightly; the partner or manager must guide the employee through the new or unfamiliar aspects of that work.

4. Ensure that Employees are Aware of Systems and Standard Procedures

Without proper systems in place, the team might not have clear and concise guidelines to work within. In turn, this could lead to the firm risking its professional reputation and losing the confidence of clients. The systems and procedures are an integral part the firm's approach to quality management.

5. Have a Procedure to Identify Weaknesses or Problems with Systems

Each member of the team should look for any deficiencies in systems. Once a deficiency, weakness or problem is identified, it should be reported to the firm manager or the relevant partner to be addressed and resolved.

6. Employ Proper Review Processes

There should be an established process to review all completed tasks. This is just as essential for senior employees and partners as it is for intermediate and graduate employees. Everyone makes mistakes, and the best way of avoiding any problems which may arise is to have a review system in place. This allows for a second pair of eyes to go over all the work, identify mistakes and correct them prior to incorrect material leaving the office.

7. Maintain an Adequate Spread in the Fee Base

Identify the firm's "ideal client." They might be one who uses a broad range of the firm's services, is not fee resistant and is enjoyable to work for. The firm should be built around these clients.

Every firm will have its larger clients. It should, however, be careful to resist letting a single client or a small group of clients dominate the fee base because if they leave for any reason the firm may be exposed. Where a single client dominates the client base, there is also the risk that the employees might be unreasonably influenced by the demands of that client.

8. Have Adequate Insurance

The principles outlined above are all forms of insurance against accidents. However, the firm will also need to have formal commercial insurance policies in place for protection. The risks are many, for example, an office fire or a professional indemnity claim against the firm. The premiums offer some protection, but they do not cover the firm against all possible losses. While it is simple to say that the best form of protection is to avoid the problem in the first place, it is still prudent to have insurance policies in place.

9. Back up Technology and Records

The need for proper technology and records back-up procedures is critical. For example, consider a complete back-up server for the main files, or cloud back-up options. Frequent back-ups of data must be made and a copy kept off-site. Periodically, run a recovery test to see what happens and check what would happen if the firm needed to restore or replace a file server or key piece of equipment. For further details see 'Developing A Technology Strategy'.

10. Be Fully Aware of Privacy and Client Confidentiality Guidelines

Finally, professional training puts great store in the need to maintain confidentiality about business information. Complying with both the spirit and the letter of the various requirements (ethical and/or legal) for client confidentiality and security of private information is now a fact of business life. Make sure the team is aware of the high duty of care that is required.

Christopher Arnold is the head of SME/SMP and Research at IFAC.
Monica Foerster is the Chair of the IFAC Small and Medium Practices Committee

Down payments on the future of accounting

By Daniel Hood

Everywhere you look these days, it seems like you can find people making big investments in the future of accounting, putting up money and time and effort to innovate in just about every area of the profession.

Think of the Big Four spending millions on artificial intelligence, cognitive computing and the data-based tools and services of tomorrow, or the American Institute of CPAs and its firm partners spending tens of millions to build their Dynamic Audit Solution and completely revamp the audit. Or how about those Top 100 Firms that are merging in non-accounting businesses that focus on everything from IT security to marketing to HR services? I need hardly mention the software providers, from big players like Wolters Kluwer and Thomson Reuters to new upstarts like botkeeper and Mindbridge AI, that are pursuing accounting innovation on a multitude of fronts.

So, what are you doing to build the future of accounting?

Now, most CPA firms are small businesses, and obviously, no one expects them to invest millions in capital in creating innovative tools or new services or ground breaking business models. But that doesn't mean that smaller firms and sole practitioners should or can afford to leave all the investment to the big guys. No matter what size your practice is, you can and must put something into building your own future within the profession of the future.

Make no mistake: This will require both money and time. Not millions of dollars, to be sure, and you won't need to quit your day job to focus on the future full-time, but you'll need to build funds for innovation into your budget, and time for it into your calendar. Here are a few ways to start making an investment now:

Set aside an hour a week. Reserve a space on your calendar where you'll do nothing but read or think or even talk in a small group about what the future of your firm and the profession will look like. Need conversation starters? Look no further than the next item.

Read a book — or 10. Amazon will be happy to guide you to a thousand different titles on everything from blockchain, AI and the subscription economy to value pricing, the evolution of the modern advisory services firm, or how to build your own app.

Attend a conference. There are plenty of great conferences in the accounting space that are focused on the future. Vendor user conferences and state society events are also great places to explore. Go with specific questions you want answered, but also keep your eyes and your mind open — and be prepared to put in some very full days to get the most out of your time and money.

Test an app. Find an application that purports to solve one of your or your clients' pain points, and dive into it on a trial basis.

Invest in new skills. If your firm is of any size, chances are you can find an employee who would be eager to learn the latest in marketing techniques, or how to code, build a blockchain, or conduct high-level data analysis. And in small or solo practices, you yourself can benefit from continually expanding your skill set — just remember to go beyond merely keeping up your technical chops to really explore new areas.

These will all take commitments of time and money — but they should be within the reach of even the most modest practitioner. And while they may not mean that you personally will reshape the entire accounting profession, they should help make sure that when those big investments I mentioned earlier begin to pay off, you won't get left behind — and you'll be in a better position to capitalize on them.

Daniel Hood Editor-in-chief, Accounting Today

7 Ways to Develop Your Digital Branding Strategy

By Lee Frederiksen Accounting Web

All businesses, including accounting firms, have a brand identity, although most will not achieve the size and scope of a Coke or Disney.

So, what is your brand? Simply put, it is the character and personality of your firm that distinguishes you from others. It is who you are in the eyes of your market. Not too long ago, brand was established solely through traditional marketing and advertising methods. Memorable slogans and jingles were developed, ad campaigns were run, and public opinion was created about what a company and its products or services represented.

Today, the Internet has changed all of that, and both offline and online branding strategies have to be considered as components of a unified whole. Digital and traditional branding are simply two different approaches to communicating with your market and target audience and telling your story.

If you – like many accounting firms – are relatively new to the concept of digital branding, it's never too late to get started. But the longer you wait, the greater the risk that competitors with a proactive digital branding strategy will gain a greater market share.

So let's get you started. Here are several key steps you can take to help get your digital branding efforts up to speed:

1. Align your branding efforts with your business goals
What you're trying to accomplish as a business should inform your digital branding strategy and the metrics you establish to monitor the success of your efforts. For example, if your practice wants to increase new business in specific industries, figure out the metrics you'll need to monitor to determine if you're gaining new clients in those sectors with the right size and revenue to achieve your goals.

2. Research your target audience's wants, needs and preferences
A surprising number of firms have just a vague idea of their target audiences, what they're really looking for and where they actually look. Today, the majority of professionals researching new products or services start with the web. It's critical to have a solid understanding of the issues and topics that interest your target audience and the digital platforms they use to find answers.

3. Synchronize your differentiators and brand positioning
Brand positioning is what sets you apart from your competitors and differentiators are the unique features and benefits that define your brand. It stands to reason that they should align, but over time, they can drift apart. For example, your firm may be positioning itself as "the leading specialist in healthcare tax compliance," but if your sales team is selling on price, or your website is promoting personal service, you have a problem.

4. Build a consistent brand appearance, online and off
It's easy to have your brand's visual appearance become mismatched. Often, traditional marketing elements such as logos, taglines and unique typestyles can get overshadowed by newer, easier-to-manipulate digital graphics, resulting in two distinctly different looks. One practical solution is to create brand usage guidelines that cover not only visual elements, such as logo usage and colors, but describe your brand's tone and style, as well – what you say and how you say it.

5. Synchronize your content and brand strategies
It's one thing to claim that you have certain types of expertise in your marketing collateral or web copy – it's quite another to demonstrate it. If you make a claim about your firm, it's important to have your marketing content back up that claim. For example, if you want to establish thought leadership around a specific topic, make sure that you have valuable, relevant content to demonstrate your expertise. The goal is consistency. You should strive to be consistent in approach and competency, no matter where a prospect interacts with your brand.

6. Develop an effective brand-building plan
Our research on the fastest-growing accounting firms has revealed that it's actually easier and less expensive to increase the visibility of your digital brand than it is to build your brand by traditional means. In fact, digital brand building is exceptionally efficient and scalable for practices with limited resources. For example, consider networking on

social media versus the time and expense of attending a live networking event. Or compare the cost of a producing a webinar versus an in-person seminar.

7. Monitor and manage your plan as needed
The immediacy of digital marketing makes it easy to gauge how your efforts are working and what needs adjusting to improve results. Many digital tools have built-in analytics to make tracking and control a snap. Want to track website visitors? How about social media engagement? No problem. A digital initiative launched in the morning will yield actionable results by afternoon.

Traditional brand-building is no longer enough to drive growth and profitability for today's accounting firms. Digital branding is not only necessary, it's preferred. Your current and future clients are looking at you online -- whether you choose to engage them there is up to you.

Lee W. Frederiksen, PhD, is managing partner at Hinge, a marketing firm that specializes in branding and marketing for professional services.

5 ways texting can improve client relations

By Kenneth Burke

Communication is a cornerstone of your CPA firm. If your clients aren't already trying to communicate with you via text, they want to. It was recently reported that text messaging is the most requested communication channel for financial services.

But what situations are good for texting with clients?

These are five opportunities to create smooth client interactions by texting and how you can increase profits while texting professionally as a firm.

1. Get missing tax details ASAP. Clients send you their stuff, but they never send you everything you need the first time. It's up to you (or your assistant) to ping them until you get what you need to properly prepare their forms. The bigger your firm, the more damaging this problem is.

How do you fix it? Most (if not all) of your clients have cell phones and can text you pictures of their documents. As Bill Burke, managing partner at Georgia CPA firm Burke, Worsham & Harrell explains: "Texting has significantly increased efficiencies in our tax preparation and advisory services. Clients seldom send us all the information we need to complete the task the first time. Texting allows us to easily contact the client and get a much faster response. Clients like texting as they can send us a picture of the missing document without going through the trouble to scan, email, or fax."
This leads to increased profits because you'll be able to complete more tax returns and other work faster without hiring more staff or bogging your current team down. This same concept applies to client payroll confirmations, too, as well as deadline reminders. In fact, you can text deadline reminders to all your clients at once to make sure they get you what you need to help them.

2. Quickly handle questions that stress clients out. Getting a letter from the IRS is one of the most stressful things a client of yours will go through on an average day. The question they always have when they get notices like this is, "What does this mean?" They want an answer fast, so they contact you.

Whether they call, email or text you, you need to see that letter before you can answer. Ask your client to text you a picture of the letter — or whatever document they're concerned about — so you can answer their questions on the spot.

This applies to other customer service-related situations that come up, too. Clients always want to see that you — as their trusted CPA and advisor — care enough about them to be quick and helpful whenever they need you.

3. Bring in new clients. People research your business before they contact you. You might do a good job on your website of explaining your brand and services, but potential clients would often rather ask you their questions directly than to wade through your website. Twilio reported that 89 percent of consumers want to text your business specifically for things like this. Why not let them text you from your website?

"Click-to-Text" is a button that opens a text to your office when clicked. SMS Chat is a live chat widget that starts text conversations. Both are great options for engaging clients at opportune moments and creating smooth, enjoyable experiences.

Let's say a potential client is on your site and wants to know your rates. They text in, "Hi, how much for a tax return?" Someone in your office responds, "Hi, a personal tax return is normally $400. Want to come by and meet us before making your decision? Our partners have some time open on Thursday." This is an easy way to stand out from competitors and bring in new business.

4. Make scheduling (and confirmations) a breeze. Many accounting clients book their meetings weeks or months in advance. A lot can happen in between, and those life events — or simply forgetting — often cause cancellations or no-shows that are costly to your business.

Text confirmations solve this problem. A day or two before the appointment, text your client a quick reminder. If they know they aren't going to make it, they can reschedule through text instead of just missing the appointment.

5. Get more raving reviews. Your firm thrives on word-of-mouth, and about 90 percent of people turn to online reviews to find personal opinions about your business. An easy way to earn more reviews (and in turn more new clients) is to text your clients asking them to leave you a review on a public platform like Facebook, Google, or Yelp. Just be sure to include a link to your review page, e.g., "Kelley, we've loved working with you. Would you share your experience with us on Google? We'd really appreciate it!"

How can your accounting firm manage texting?

You'll want a professional texting service designed to be used by an office team, not just a few personal cell phones. Here are a few things you should look for:

An online dashboard that the company owns;
A multi-user dashboard so multiple team members can manage messages as needed;
The ability to text from your office landline or VOIP numbers;
Two-way individual and group (broadcast) messaging;
Everyday features like out-of-office responses, notifications, SMS Chat, etc.; and,
A permanent record of all messages sent or received.

From there, managing professional text messaging becomes easy — accountability, compliance and smooth client interactions will be baked into your processes. To get started, talk through this with your team. Once you're on the same page about what you want to accomplish, find the text messaging tool that's right for you.

Kenneth Burke is the director of marketing for Text Request, a business text messaging software company that works with clients across North America.

Accountants – Have You Embraced Automation Yet?

Source: Accountancy Today

Compared to most other industries, accounting hasn't seen much in the way of innovation over the years. But this could all change soon with the adoption of automated technologies.

Previously confined to the likes of the manufacturing sector, I'm now seeing automation start to benefit many other industries by aiding repetitive and rules-based functions – as well as those that are time critical, prone to error or involve large volumes of data.

Critics may see automated solutions as the villain, with some claiming they will render accountants' roles obsolete. However, far from being the enemy, I believe automation is essential to the future of accounting.

People are scared of automation because they think it is going to replace their job, but the technology has actually created more jobs. Most of the time, the tasks that are becoming automated are those people don't really want to do anyway.

Less room for error

Unlike manual accounting, which is time-consuming and prone to human error, automation replaces time-intensive and low-value accounting tasks – leaving more time for accountants to concentrate on the service aspect of the business and ways to increase revenue.

From past experience, automation minimises opportunities for error. It can also help emancipate accountants from mundane work; instead, giving them more responsibility and the opportunity to carry out meaningful analytic work. This then translates into increased employee happiness and a better, more agile workplace culture – which, in turn, means significant progress can be seen in the quality and level of output.

Customer relations are also improved thanks to automation – as it frees up more time for accountants to focus on the tasks that require human input and interaction, rather than just crunching numbers behind a desk.

Shifting mindsets

Although automation and other new technologies are developing faster than ever before, I feel the accounting industry has generally found embracing them a challenge. Accountancy is an age-old business and many professionals may, understandably, feel apprehensive about changing their processes after so long or be nervous about the perceived security risks associated with automation. However, I truly believe accounting firms need to shift their mindset and start making use of automation if they want to stay ahead of the game.

It's going to happen anyway so accounting businesses should embrace and invest in automation to avoid being left behind. As for security concerns, I think these are unfounded. Cyber security breaches are down to human error, not technology – so because automation eliminates the human aspect, it actually offers accountants a better opportunity to keep their systems and client data safe.

I often find that one of the biggest barriers to automation is getting employees on board. But once they realise the benefits of having more time to focus on meaningful work – and spending less time carrying out mundane manual tasks – they'll soon be keen to adopt automated technologies.

If technology continues to develop at the rate it is currently, I think manual data entry will soon become a thing of the past. As such, forward-thinking accountants will be those who utilise the technology available to them to spend more time with their clients and put more energy into analysing data and offering useful insights. In turn, this will place accounting firms in a much better position to offer a high-quality and more efficient service to their clients.

How artificial intelligence will change the way accountants work

By Garrett Wasny & Michael Law

Artificial intelligence has always been a great element in science fiction, involving machines a lot smarter than human beings.

AI is not really the same thing in the real world (at least in 2019), but the technology will still significantly transform every industry. Already, many AI technologies are being used every day, from chatbots to search engine algorithms.

Accountants will also benefit from this cutting-edge technology. It is already being deployed on multiple fronts in the industry, and the number of applications will only increase.

A Quick Overview of Artificial Intelligence

AI developers aim to make machines process information like humans. This way, computers can work and react similarly to humans. At best they could think creatively, independently and ultimately with better judgment than people (that's when Alexa plans to destroy humanity in order to save the world).

All kidding aside, practically, AI can be seen as an assistant — hopefully soon a super assistant — that will do the administrative tasks that generally take up a majority of an accountant's time.

However, a big difference between human beings and machines' intelligence is the massive scale and speed machines can process. Machines can consume vast amounts of information to identify patterns and help make informed decisions.

How Artificial Intelligence Can Help Accountants

AI is already present in accounting, and it will grow significantly as the industry continues to automate and reduce reliance on manual data entry. You can already find AI technology in a number of software applications with benefits including (but not limited to):

Scaling up quantity and quality of data analysis: AI can process huge amounts of data (structured and unstructured), and boosts the scale, scope and rigor of the analysis. Auditors often perform test procedures — AI can literally analyze all the available transactions.

Enhancing powers of observation and detection: AI can extract insights, pick up faint signals and detect more complex patterns in data than humans can.
Augmenting cognitive capacity: Using feedback loops, AI can automatically and instantly learn from errors or new cases and become increasingly smarter over time. It never forgets and continually builds on and deepens the corporate memory.
Improving consistency: AI can be a far more consistent decision-maker. Robots do not get bored, tired, frustrated, moody, lazy, emotional, hungry, thirsty or sick. Machines are not impacted by cycles or fluctuations in biological or physiological states like people. They don't take vacations or leave of absence either.
Mitigating repetitive tasks: Rather than wasting time with tedious tasks such as data entry and manual review procedures, accountants can focus their efforts on all the work that requires a human touch.
Reducing errors: In a traditional bookkeeping setting, accounting mistakes may go unnoticed. AI can detect errors immediately and ensure your books are always accurate.
Clearing invoices faster: Dealing with payments from multiple invoices can be challenging. Machine learning allows AI to analyze the data and clear out invoices or generate new ones.
Accelerating data analysis: AI can also perform large-scale tasks that would be virtually impossible for humans to complete in a timely manner. Example: AI can analyze the data from every accounting project ever completed in your practice. The technology can then provide valuable insights on how to proceed with a potential project idea most effectively or even recommend that the company scraps it all together. While a human accountant might arrive at the same conclusion, it would take countless hours to go through the data.
Real-time audits to ensure compliance: AI can instantly detect inaccuracies and flag improper submissions in expense reports and travel claims. While carefully reviewing these details would be quite tedious for human accountants, AI tools can learn the company's policies and analyze data in bulk to ensure that there are no discrepancies.

New Accounting Skills Required for the AI Age

AI is seen as a technology that will replace a lot of jobs at any skill level. In accounting, AICPA CEO Barry Melancon made an alarming prediction that the accounting industry could be negatively affected by changes in technology, losing more than 1 million jobs. True or not, accountants will have to adopt this technology, just as they had to adopt the computer or internet.

Tax professionals will have to learn how to implement AI technologies for their daily work activities, for instance, developing the ability to automate their workflow and interpret new kinds of data. They will basically be required to leverage the power of machine learning.

This evolution in technology will also encourage accountants to combine being "tech savvy" with very human skills — the ones unreachable by machines — like storytelling, effective communication and relationship building, for example.

The accounting industry is evolving and professionals need to adapt to these changes and understand how to effectively respond. While AI is a brilliant technology and we often envision computers replacing people, we may underestimate the importance of purely human skills like enthusiasm, creativity or empathy: all essential facets of our profession.

Garrett Wasny, MA, CMC, CITP/FIBP is an award-winning professional development technologist to CPAs, CAs, P.Engs, MDs, attorneys, pro sports executives and business managers worldwide.
Michael Law is a CPA subject matter expert manager, leading a team developing tax software at Canopy.

The Holy Grail: Finding the Right Talent

By Steven E. Sacks

We get so hung up on generational labels: Baby Boomers, Gen X, Gen Y and now Gen Z. As a result, we ascribe certain characteristics or behaviours to each one – whether fair or not.

Adherence to the labels can cause a hiring manager or an executive to overlook the contributions each cohort can make to an organization. Potential stars are overlooked, and the usual reliance on outdated search approaches continues unabated.

Those who can provide valuable insight that transforms into top performance should not be subject to inherent biases. All you need to know is that they ...

- Have the smarts to perform the functions of a particular position.
- Have the motivation and drive to do the job well.
- Exercise the traits of integrity and trust.
- Know how to work in a respectful and collaborative manner.
- Function with the mindset of what is best for the firm.

Whether it was a boss, peer or subordinate, you can always look back and remember who possessed these traits. And it did not matter to what generation they belonged. What mattered was that these traits were used as elements of a tool for identifying and assessing top talent.

A new model for talent assessment

In today's competitive market for talent, senior management is tasked with filling positions with people who can further the mission and goals of the firm. Despite all the critical financial, operational and strategic decisions a leader must make, selecting talent offers the least guidance. It is certainly not intuitive and involves a thought process that is very rarely used.

Think about it. You have to fill a mid-level position, such as a supervisor or manager; one that may be a few rungs lower on a ladder that can eventually lead to partner. The usual thinking is to frame your search to attract those whose thinking, work style, personality and approach to decision making are aligned with yours. Often this can solve the job search. Other times, there will be a need to attract those whose thinking, while not in alignment with yours, can certainly be complementary and leveraged for the right purposes.

Consider the issue of personality. You may be an extroverted leader who enjoys stimulating and thought-provoking conversations. Well, the finance person you are looking for may not share the same traits. It is okay if an immediate connection is not made. On the other hand, you may meet someone whose demeanour is a mirror image of yours, but who may lack some of your skills. This, too, is okay. A person's behaviour and personality are apparent immediately. The one unknown – which appears later – is the ability to do the job. You need a starting point to begin to form judgments about a candidate.

So, What's Talent?

Talent has three basic elements: 1) aptitude to perform the role, 2) appropriate behaviours important to become successful in the job and 3) required experience to excel in the position.

Aptitude, by definition, means a natural ability to do something and a suitability or fitness for something. This can be seen in the ability to think strategically and speak articulately. It may also include the ability to work with numbers (e.g., budget development, P&L analysis) if the position will have a financial or operational responsibility. In fast-moving firms, change is the one constant. If learning and honing new skills is necessary to take on new roles, then you need to find people with such an aptitude.

Behaviour has become more important as we read about work environments becoming more toxic. Morals and integrity are touchstones of proper behaviour.

Experience is the easiest to detect early on. Besides the resume, you can assess this from a face-to-face meeting, as well as from the opinions from a candidate's references. A note of caution: Prior positive performance is one thing; it is no guarantor of future success. Sometimes, experience can be underemphasized because of other factors; other times, it can be overemphasized to the detriment of other attributes.

Deliberate and decide

During the course of a phone or in-person interview, another factor may come into play: attitude. External events, health, moods or other factors can have unintended consequences in how a person comes across to you in a discussion.

Attitude impacts the way the person thinks, feels and acts, and it can easily force you into a decision not to hire unless you can employ a deliberate approach to uncover hidden issues. Contrast this with the concept of aptitude. A litmus test is to consider whether harmful consequences will befall the person if he or she attempts to complete a task. If yes, it is an aptitude issue. However, if the person has done a similar task in the past but does not want to do it now, it is an attitude problem. In the middle is the situation where the individual has never done such a task at a certain level but demonstrates competence in a similar situation. Providing the necessary training may be all that is required. Aptitude you can correct; a bad attitude may be corrected, especially if the person senses that it can have a negative impact on one's career.

You can't coach someone to demonstrate a better attitude as evidenced by a strong drive, reliability, morals or ethics. Similarly, you can't mentor an individual to gain more talent or intelligence. The person starts his or her first day with certain arrows in his or her quiver, so if you notice certain arrows missing, you must decide to work around the deficiencies or end the relationship before too much time has passed – both for you and the new hire.

If you notice your direct reports simply lack experience or certain behaviours, your coaching and the right kind of experience can make all the difference. If they have trouble with people, managerial, technical, presentation or writing skills, you can provide the necessary training. Sometimes you can provide the guidance yourself or better yet, delegate it to someone in the leadership group who has experience in coaching or mentoring. Other times, you can arrange training or provide personal experiences to develop the individual. In most cases, if the person shows potential, you can be optimistic he or she will improve with the right training and experience, provided the talent to learn already exists.

No generation has a monopoly on talent

Certainly, circumstances blend in a way to provide unique knowledge and experience for each generation (e.g., technology for the Millennials, leadership for the Baby Boomers), but true talent with its attendant elements should be age- and generation-agnostic.

Choosing people haphazardly because of urgent needs will cost you much more in the long run. As managing partner or one who is part of the leadership team who must decide on human assets, carefully consider (in equal measures) the elements of aptitude, behaviour and experience – not age or cohort – and you will effectively attract and retain the best people for your firm as you continue to strive for long-term success.

Steven Sacks, CPA, CGMA, ABC, the CEO and founder of Solutions to Results LLC, Steven assists professional service firms and organizations to solve the challenges of human capital development and culture and develop effective internal and external communication strategies and techniques.