MENA NEWSLETTER

Issue 2, 2020

Dear Members and Friends

I hope this address finds you and your families healthy and safe. As we approach the end of a very challenging 2020, I am sure many of you are glad to be putting this year in the past and hoping for a brighter, healthier 2021. As is customary I would like to reflect on the many happenings since my last address to you.

The Covid-19 vaccine is on everyone's minds, as it should be. Afterall, this vaccine was the fastest one ever developed and highlights humanity's progress in taking control of its own destiny through rigorous scientific methods. While, this is undoubtedly good news, we should realize that this crisis is far from over and that vaccinating 7 billion people is no small task. Also, the virus continues to evolve and build up its defenses against our reponse. We can only pray and hope that this is a battle that humanity will win, with the fewest casualties possible.

The economic casualties, on the other hand, are getting clearer by the day and we can see that the travel, tourism and hospitality sectors have taken the most significant hit. Most other sectors have been negatively impacted, however the vaccine holds tremendous promise of changing all of that. As our industry depends in large part on the economic activity in the region, we too have to learn and to adapt in order to survive. Many have taken to permanently having some staff work from home, some have even reduced office space required, thereby reducing rental outlays. Others have focussed on diving deeper into the e-commerce space, by offering services more tailored to this sector and also by changing audit/accounting practices in order to offer more value addition, remotely.

The MGI MENA region is no exception. We are still recruiting new members and conducting reviews online. We have also successfully conducted a MENA regional meeting and the AGM completely online. This would have never been attempted or thought of had we not been presented with the challenges that we were.

I would like to conclude with a message of hope and wish everyone and their families a safe and healthy holiday season and new year.

Faiyaaz Rajkotwala
MGI Worldwide Area Leader
Middle East & North Africa

When you have exhausted all possibilities, remember this: you haven't." – said Thomas A. Edison.

Maintaining resilience in times of adversity and looking at challenges in the eye with indomitable strength pushes people to emerge as admirably indestructible, akin to how carbon turns into diamond under extreme pressure. The Middle East and Africa region have managed pandemic largely well and timely actions will help the businesses recoup the losses much faster.

Digital Transformation has become the much needed focus area for all of us to adopt and change and made us realise the need to accelerate and implement in this pandemic. Digital Transformation will play a key role for all of us and the we need to adopt technology at a much faster pace than ever.

There's a huge opportunity for technology to transform accounting and in a very positive way. Data, automation, analytics and even machine learning and Artificial Intelligence are positive forces of change and should not be feared. They will enable a golden age in accounting. As these technologies become mainstream in accounting the services and advice offered by accountants will transform drastically. Technology will streamline compliance reporting making it faster, and more accurate, and liberate highly qualified accountants to spend more time with their client's securing their role as trusted advisor.

The governments in the Middle East have been proactive and have implemented many fiscal reforms to make the economies self reliant and robust. In addition to the move towards introducing VAT across the GCC, Egypt has now implemented a VAT replacing the previous sales tax system. Governments have also made changes in their foreign direct investment policies to encourage investment into their economies. Egypt has issued a draft new investment law incorporating a number of tax incentives. Saudi Arabia has introduced legislation allowing 100% foreign ownership of businesses in specific sectors and similar relaxation has also occurred in Bahrain. In Bahrain, Oman, Saudi Arabia and UAE have been expanding their network of double taxation treaties that are now in force. There has been a wide array of immigration and labour law developments across the Gulf, as well as corporate governance enhancements in the UAE like the Economic Substance and UBO regulations aligning with the OECD recommendations.

We at MGI - CPAAI network have several taken several measures to support member network digitally and will continue to support and enhance the overall experience. We definitely hope to meet all the regional members in 2021 and wish that the coming year brings us and employees, Prosperity and Good Luck.

Piyush Bhandari
MGI Worldwide Area Leader
Middle East & North Africa

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MGI MENA REGIONAL NEWS

MENA meeting goes virtual

The planned regional meeting was supposed to be held in Muscat, Oman on the 9th of July. However due to the pandemic the meeting was held virtually.

The two-and-a-half-hour meeting was attended by 15 member firms from both MGI Worldwide and CPAAI. Since many of the member firms have not yet had an opportunity to meet, the first item on the agenda gavce each member firm time to introduce themselves and their firms

Dr. Michael Grüne from Menold Bezler, MGI Worldwide member firm in Stuttgart, Germany, and also Global IFRS Specialist Group chair, gave a presentation on the Covid-19-Related Rent Concessions and the amendments to IFRS 16 Leases. Michael explained the scope and objective of the amendments and provided examples on how to account for the rent-free periods

Piyush Thakkar, from MGI Vision, Oman, moderated the session on the future of the profession post Covid-19. Hesham El Sakka, from Boubyan Consulting, Kuwait, gave a presentation highlighting the impact of the pandemic on audit and consulting practices. Members were asked for their feedback and how their respective firms were coping with the challenges, their experiences and responses.

Though members could not meet face to face this virtual call provided them the opportunity to connect in this difficult and unpreecedented times

MGI MENA MEMBER NEWS

MGI Vision introduces new line of service

MGI Vision Chartered Accountants has expanded its services to include ISO advisory, lean management and process improvement services. To support this

Mr. Murali Krishnan has been appointed as principal consultant Murali is qualified MBA & Lead Auditor, Lean Six Sigma Black Belt with 14+ years of experience as a Management consultant in ISO management systems, continuous improvement / transformation for industries like BFSI, Information Technology, Telecom and SMEs in India & Middle-East (Muscat - Oman, Doha - Qatar & Manama – Bahrain).

The firm has started conducting process improvement and lean implementation for a mid size client, Peaceland Logistic Services LLC.

MGI KICA focusses on public sector work in the midst of the pandemic

MGI KICA has pivoted from private sector work to public sector to remain solvent during this difficult economic conditions. Some of the clients garnered are the Lebanese Dental Association, Order of Engineers and Architects, Jeita Grotto International (an international tourist landmark in Lebanon)

This quick change was made possible as MGI KICA is on of six audit firms in Lebanon approved to audit the public sector under the Ministry of Finance

The firm is also concentrating on the medical sector with training on audit of hospitals and insurance companies. Medical doctors have been appointed to help & train the firm to audit medical accounts.

Rabih Kerbaj appointed director

Rabih of MGI KICA has been appointed to the Board of Directors for the Lebanese Standards Association (Libnor) http://www.libnor.org/
Libnor was a public institution attached to the Ministry of Industry, established in 1962. Libnor has sole authority to issue, publish, and amend national standards and to authorize the use of the Lebanese Conformity Mark proving the compliance of products to Lebanese standards.

AlHamli holds annual staff meeting virtually

On November 12 Al-Hamli and partners held its seventh annual staff meeting remotely.

The meeting lasted for almost 7 hours with 11 agenda items including workshops on auditing and general wellbeing- "a positive working environment". There was also a tutorial on Microsoft Teams

The firms 2021 strategy, planning and budget was also shared with the staff.

Prior to this meeting the partners & directors of the firm met on 5 November for their bi-annual meeting, where the plan and budget for 2020/2021 was discussed in addition to the evaluation of the company performance for the last year.

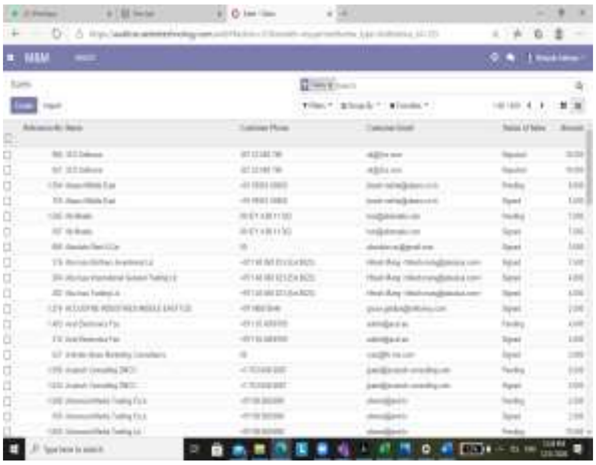
M&M Al Menhali bags new shipping client

M&M Al Menhali Auditing was successful in landing a new client during this difficult period. The client Bourbon is a key player in offshore marine services offering offshore energy operators a broad range of surface and subsea marine services for oil & gas fields and wind farms. Bourbon's Dubai office has a staff of approx. 300 staff and is the main office for their gulf operations.
The firm will be providing VAT services.

Online audit tracking tool improves productivity at M&M Al Menhali

With the help of Aeries technology, M&M developed an audit tracking tool software to enhance the productivity of the audit and tax advisory staff.

The software enables staff to get the data from the client through a dedicated portal for each client. This software tool allowed M&M to design their audit requirement for each and every client from almost 28 jurisdictions spread across UAE and GCC on individual customized basis and at the same time it allowed enough space to make a standard operating procedure for the audits. This helped meeting the compliance need of each company and at the same time ensuring implementation of IFRS.



Some of the key areas where this online software tool has been invaluable:

- supported the remote working ability of the auditors
- the ability to add on the documents requirement to meet the challenges of different jurisdiction at the same time putting in place standard operating procedure.
- improved communication with the client as the tool allows the client to know the pending documents to be uploaded.
- reduced time in obtaining information
- secure platform that allowed the client to gain confidence.

Scaling up to provide the accounting, audit and tax services online

During the last 6 months M&M Al Menhali has smoothly and successfully transitioned various audit process, accounting and tax filing process to India while retaining the main advisory services and decision making in UAE. The same have proved to be efficient use of resources of the firm as well cost-effective during the pandemic times. A process to meet the challenges during the COVID-19 time was implemented which allowed a smooth co-ordination between the clients, India team and the Dubai team.

The staff were trained on full utilization of online apps like zoom and teams. Daily calls with clients and periodical calls with the staff were established. This also involved training our clients' accounts and tax team.

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MGI GLOBAL NEWS

2020 Virtual global meeting

Hosted over a full 12-hours from 6 am – 6 pm UTC on 22 October, our first virtual global meeting attracted our biggest ever audience with more than 730 attendees from 90 countries around the world.

Our line-up of guest speakers included British Economist and Director of the Institute of Fiscal Studies, Paul Johnson CBE, tech leader and former Diplomat, Priya Guha and experienced trend specialist and consultant, Thimon de Jong.

Break-out sessions on various topics were hosted by members from different parts of the world

The interaction and enthusiasm from everyone involved was great to see and goes to show that a virtual meeting can still be hugely valuable. We also raised nearly $3,000 in aid of Médecins Sans Frontières (Doctors Without Borders).

Details and recording of sessions can be found HERE

Webinars

The regular ***Star-Speaker series*** and ***Tech on Tuesdays*** webinars that started in May are now a regular feature in the MGI Worldwide events.

The speakers in the autumn season started with a thought-provoking Q&A with world renowned accountancy consultant, **Gale Crosley, CPA, CGMA.** Put through her paces by CEO Clive Bennett, Gale gave valuable insights and practical tips on how to increase the success of your firm, given one of the most challenging episodes in recent history

Professor Moira Clark from Henley Business School, and Founder and Director of The Henley Centre for Customer Management spoke to us about Employee engagement in a Covid world and why it matters more than ever before.

Experienced EU Public Affairs and Communications expert **Thomas Tindemans** shares his thoughts on "The EU beyond COVID-19: how to restart the European economy after the pandemic and Brexit."

Tech on Tuesday's series of technology based webinars provided members with information on the latest functions available for the Microsoft suite of applications, audit software & analytics, robotic process automation and auditing under Covid 19

New members

MGI Worldwide was successful in recruiting new members through the pandemic with the following 2 firms joining us in the 2nd half of 2020

Moscow-based **DELOVOY PROFIL Group** joined MGI in July 2020. A significant player in the Russian marketplace for the past 25 years, DELOVOY PROFIL Group comprises a team of professionals in the field of auditing and consulting.

Its tax and accountancy solutions include: audit (in accordance with RAS and IFRS), tax and legal consulting, M&A services, management consulting and market research, financial consulting and valuation services.

Vizyon based in Istanbul, Turkey's economic hub, has been providing tax, auditing and consultancy services since 1981. According to the Union of Chambers of Certified Public Accountants of Turkey, Vizyon is now the 6th largest tax consultancy in the country, its 7 partners boasting many years of experience in both the public and private sectors.

The firm has a strong vision to provide their customers with a quality, trust-based and value-oriented service and to always be accessible to their customers, small and large.

PROFESSIONAL NEWS FROM AROUND THE WORLD

IFAC Releases latest installment of exploring the IESBA code

The International Federation of Accountants (IFAC) released the latest in its ***Exploring the IESBA Code*** educational series: **Installment 8:** *Responding to Non-compliance with Laws and Regulations (NOCLAR) [for PAIBs]*.

The publication is part of a 12-month short series to help promote awareness of the provisions in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code). Each installment focuses on a specific aspect of the Code using real-world situations in a manner that is relatable and practical. This NOCLAR installment is part 1 of 2 and is focused on explaining the actions that accountants in business, including senior professional such are directors, and officers are expected to take when they become aware of, or suspect a NOCLAR within their employing organizations. Part 2 will focus highlighting provisions that apply to auditors and other accountants in public practice in client service.

Previous installments highlighted the Code's five fundamental principles of ethics and conceptual framework, as well as more topic-specific requirements, such as independence and conflicts of interest.
The ***Exploring the IESBA Code*** is published by IFAC and does not form part of the Code. It is non-authoritative and is not a substitute for reading the Code. Click here to access this and future installments.

New support materials from IAASB for using automated tools and techniques in audit practices.

The Technology Working Group of the International Auditing and Assurance Standards Board (IAASB) released non-authoritative support for using automated tools and techniques when performing audit procedures.
The publication assists auditors in understanding whether a procedure involving automated tools and techniques may be both a risk assessment procedure and a further audit procedure. It also provides specific considerations when using automated tools and techniques in performing substantive analytical procedures in accordance with International Standard on Auditing 520, *Analytical Procedures.*
This publication does not amend or override the ISAs, the texts of which alone are authoritative. Reading the publication is not a substitute for reading the ISAs.

IAASB Raises the Bar for Quality Management

The International Auditing and Assurance Standards Board (IAASB) released its three quality management standards. The standards promote a robust, proactive, scalable and effective approach to quality management and mark a significant evolution of the existing quality control standards.

"These standards will drive the audit profession to an enhanced approach to quality 'management' rather than 'control', which better enables the consistent performance of quality engagements, including audits," according to IAASB Chair Tom Seidenstein. "The standards place greater responsibility on firm leadership for continuously improving the quality of their engagements and remediating when deficiencies are found. When effectively implemented, the standards should help ensure that a commitment to quality is at the heart of firm strategy and operations."

The suite of standards includes:
- International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*;
- ISQM 2, *Engagement Quality Reviews*; and
- International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements.*

The standards become effective on December 15, 2022.

The IAASB has also developed Bases for Conclusions and factsheets to support the implementation of the new standards, which are available on the IAASB's website.

The IAASB has published video introductions to the new and revised quality management standards in English, French and Spanish. The videos explain the key aspects of the three standards to help stakeholders begin their implementation efforts.

Audits Of Less Complex Entities

Focusing on the effective and consistent application of our standards, the International Auditing and Assurance Standards Board (IAASB) is addressing issues and challenges related to complexity, understandability, scalability and proportionality.

With that in mind, the IAASB is developing a draft of the separate standard for an audit of financial statements of a less complex entity (LCE)

The IAASB is developing the standard on the following basis:
- Using similar concepts and principles as the International Standards on Auditing (ISAs)
- Containing all requirements relevant to an audit of an LCE within a 'standalone' standard.
- Divided into "Parts" following the flow of an audit and setting out the relevant requirements for the various components within an audit

Details can be found HERE

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INTRODUCING NEW MEMBER

BH Auditing

What is the history behind DLS?
Haytham Modhish Accounting office merged with Basheer Al-Sayadi Accounting office at the beginning of 2020 to be known as BH Auditing firm. Prior to that both practiced as sole propreitorship for more than ten years

The firms merged to form a bigger practice to be able to compete with the bigger accounting firms, and provide services to major companies and international organizations. The natural progression after the formation of a partnership was to join a global accounting network like MGI Worldwide

Why join MGI Worldwide?
We joined MGI because it is one of the top 20 international networks and the positive first impression we had when we started dealing with MGI Worldwide.

We were and are keen to improve the quality of our firm to meet international standards and MGI Worldwide and its stringent quality review process appealed to us. Hopefully membership with MGI Worldwide will bring us international clients operating in Yemen

What do you hope to get out of MGI Worldwide?
We have plans to use our membership with MGI Worldwide to market ourselves as a firm with international ties. We are looking to contract with several companies from the beginning of 2021, and we being a part of MGI Network will help us to succeed.

MGI MENA COUNTRY UPATE

Changes to the Commercial Companies Law Bahrain

On 1 October 2020, Law 28 of 2020 was published in the Official Gazette (the Amended Law) Bahrain which amends Decree Law No. 21 for the year 2001 (the Commercial Companies Law)

One of the notable changes is the cancellation of Part VIII of the Commercial Companies Law in relation to Single Person Companies (SPCs), which removes the use of SPCs as a corporate entity, and requires that such existing SPCs must convert to a limited liability company (WLL) within 6 months of the implementation date of the Amended Law (i.e. 2 April 2020).

As a result of the above change to the Commercial Companies Law, the requirement that a WLL have at least two shareholders has now been removed by the Amended Law. In order to make the conversion easier for SPCs, the Amended Law has removed any minimum capital requirement for a WLL.

Source: DLS Associates

Egypt issues Unified Tax Procedures Law No. 206

On 19 October 2020, the Egyptian Government issued the Unified Tax Procedures Law No. 206 of 2020 (the “Law”) amending certain articles of the income tax law, value added tax law, stamp tax, state development tax, and other similar taxes, and effective as of 20 October 2020.

In summary, the newly issued law aims to establish unified tax procedures for filing and regulating direct and indirect taxes. As such, taxpayers will have a single tax code for their tax registration for the different types of taxes.

The main points to note are as follows:

- New filing requirements for the submission of the amended CIT returns, payroll quarterly returns, monthly VAT returns have been introduced.
- New provisions and procedures for advance rulings, tax refund, tax appeal and issuance of tax clearance certificates are set.
- New range of financial penalties are enacted for non-compliance with the various tax laws and filing requirements.
- Minimum transfer pricing threshold of EGP 8 million is now applied for filing the TP documentation. Non disclosure of the related party transactions within the annual corporate tax return should be subject to a penalty of 1% of the value of the transaction not disclosed.
- New procedures for the ETA's access to taxpayers information, and a documentation retention period has been set.
- Procedures for the exchange of taxpayers' information by the ETA, with tax authorities in other jurisdictions that have DTTs with Egypt, for the purpose of DTT application are now introduced.

Source: PwC website

Oman is introducing VAT in 2021

Oman is the fourth Gulf Cooperation Council (GCC) member state to implement a value added tax (VAT) regime. The VAT law was published in the official gazette on 18 October 2020, and will be effective 180 days after publication. Thus, the effective date will be 16 April 2021

MGI Vision has prepared a white paper with details which you can access HERE

Foreign nationals can buy leasehold property in Oman

As per the decision, No 357/2020 issued by Dr. Khalfan bin Said al Shu'aili, Minister of Housing and Urban Planning, non-Omanis can purchase units in multi-storied commercial and residential buildings under the usufruct system.

"The decision is part of the move to stimulate investment in the promising real estate sector to achieve specific growth rates which enhance the performance of related activities and achieve sustainable development," the ministry said. This system was introduced according to clear standards and controls consistent with the general policy.

In the first phase, the decision is applicable to certain locations in Muscat, namely Bausher, Al Amerat, and Al Seeb.

According to the rule, the percentage of units sold to expatriates should not exceed 40 percent of the total number of units in a multi-story commercial or residential building and not more than 20 percent of one particular nationality of the allocated percentage. Other conditions include

- The buyer must be not less than 23 years of age, a resident of Oman for over two years at the time of application.
- The expatriate or his first-degree relative can own only one unit.
- The owner can take benefit from the common or shared facilities in the building.
- The owner will be allowed to sell the unit only after four years from the date of the purchase, while the property can be transferred to the legal heir in case of death.
- The potential buyer can seek finance, including the mortgaging of the usufruct right, from any financial institution.
- The conditions include that the building should have a minimum of four floors or above, the number of rooms in each residential unit should have been a minimum of two, including facilities such as toilets and a kitchen.
- The real estate units should be situated far from the existing residential neighbourhoods to preserve the privacy of the community and in line with the demographic composition.
- The building should be not less than four years from the date of completion of work and only fully completed projects can be put for sale.

- Both the seller and the buyer will pay three percent, each of the unit's total value as a registration fee.
- The usufruct agreement is valid for 50 years, which can be renewed, but should not exceed 99 years.

Sweeping reforms introduced by His Majesty, Sultan Haitham bin Tarek.

A remarkable 28 new Omani Royal Decrees were announced on 18 August 2020 which signals a step in reducing the number of ministries (from 26 to 19) and the overall size of the government, and decentralising power by devolving authority from His Majesty to a number of these ministries. The most notable focus seems to be on the economy, with the new post of Minister of Finance.
This flood of new legislation is to restructure and streamline the government with a view to upgrading performance and efficiency, and enabling them to strongly contribute to the economic system.

His Majesty has for the first time appointed a Minister of Foreign Affairs, a Minister of Finance and a Chairman of the Central Bank of Oman – titles which he formerly held and has now relinquished – whilst retaining the titles of Prime Minister, Minister of Defence and the Chief of the Armed Forces.

The efficiency drive translates into these new laws which merge or expand a number of ministries to include other portfolios under their particular administration, including:

- Royal Decree 88/2020 merges the Ministry of Justice and the Ministry of Legal Affairs into the Ministry of Justice and Legal Affairs.
- Royal Decree 89/2020 establishes the Ministry of Labour, which will include the former Ministry of Manpower, Ministry of Civil Service, National Training Fund and the National Employment Centre.
- Royal Decree 90/2020 establishes the Ministry of Transport, Communications and Information Technology.
- Royal Decree 93/2020 amends the name of the Ministry of Housing to the Ministry of Housing and Urban Planning.
- Royal Decree 96/2020 amends the name of the Ministry of Oil and Gas to the Ministry of Energy and Minerals.
- Royal Decree 97/2020 amends the name of the Ministry of Commerce and Industry to the Ministry of Commerce, Industry and Investment Promotion.
- Royal Decree 98/2020 amends the name of the Ministry of Higher Education to the Ministry of Higher Education, Research and Innovation.

Ten ministries have effectively merged. Royal Decree 94/2020 establishes the Ministry of Economy, some nine years after the Ministry of National Economy was abolished during the Arab Spring. The new Ministry of Economy seems in keeping with the government's commitment to directing its financial resources in the most ideal and sustainable manner to ensure the reduction of sovereign debt and an increase in revenue. This will be critical for Oman, particularly given Oman's sovereign credit rating was further downgraded by Fitch.

At ministerial level, there has been an announcement of 14 new ministers and the reshuffling of some previous ministers to new portfolios.

In a move to accelerate the Oman Vision 2040 roadmap, there will also be oversight in the form of the Oman Vision 2040 Implementation Follow-up Unit. The main aim of the Oman Vision 2040 is the government's strategy to diversify the economy away from a dependence on oil.

Whilst it is too early to measure how these changes will translate into Oman's ability to address the challenges posed by a widening deficit and rising youth unemployment, exacerbated by oil price volatility and the global pandemic, the introduction of these reforms with particular focus on the economy, governance and efficiency appear to have been welcomed both within Oman and abroad more generally.

Source: MGI Vision

Qatar closes its old Tax Administration System

The General Tax Authority ("GTA") has announced the formal closure of previous Tax Administration System ("previous TAS"). With effect from 1st November 2020, all tax returns should be filed and other tax submissions made using new Tax Administration System (i.e. Dhareeba).

Since the launch 'tax registration' module of Dhareeba in July 2020, the GTA progressively introduced several other features in the system (e.g. income tax return filing, capital gains tax return filing, withholding tax filing, transfer pricing related reporting, contract notification etc.).

Source: PwC website

Name change for the Saudi Arabian Monetary Authority

The Council of Ministers approved a new law on 24 November which includes changing the name of the Saudi Arabian Monetary Authority (SAMA) to the Saudi Central Bank.

Under the legislation, the new Saudi Central Bank will be linked directly to the King of Saudi Arabia and will enjoy full financial and managerial independence.

The new legislation states that the central bank is responsible for setting and managing monetary policy and it outlines the relationship between the bank, the government, and other international important organizations and bodies. It also sets a framework to govern the bank's operations and decisions.

Source: Al Hamli & Partners

UAE repeals the original Economic Substance Regulations

The UAE Cabinet of Ministers repealed the original Cabinet Decision No. 31 concerning Economic Substance Regulations ('ESR') in the United Arab Emirates (UAE). An amended set of Regulations was issued by way of Cabinet Resolutions No. 57 of 2020, dated 10 August 2020, followed by the release of Ministerial Decision No.100 of 2020, dated 19 August 2020 serving as supplementary guidance with an updated Relevant Activities Guide. The frequently asked questions (FAQs) on the Ministry of Finance (MOF) website have also been updated to factor in the provisions, as per the new Regulations

The new regulations will be enforced retrospectively on all licensees in the UAE having financials commencing from 1st January 2019 onwards. Licensees will be required to re-assess their current ESR classifications and evaluate them considering the amended regulations.

Certain Key amendments have been bought in by the new regulations which are briefly explained below:

- All licensees carrying out a relevant activity will be required to re-file notifications that were filed for Financial Year 2019 (original due date 30 June 2020) through the MOF's portal once it goes live. The Economic Substance Reports ('Reports') will also need to be uploaded onto the portal within 12 months, following the end of the licensee's financial year end (first reports due by 31 December 2020 for the financial year ended 31 December 2019).
- Role of Federal Tax authority has been enhanced
- Definition of connected person has been replaced with the concept of Group.

- Definitions of relevant activity under Holding company, Intellectual property rights and distribution and service centre has been amended and has been consistent with the OECD Guidelines

The new regulations provide relaxations for licensees in the UAE by offering exemptions for entity/branch profits already accounted for tax purposes in another jurisdiction and, also the exemption extended to domestic businesses owned by residents, which arguably do not participate in any profit shifting. The changes in the amended ESR will require businesses to re-assess the positions adopted and the notifications filed under the ESR. Licensees which have already filed ESR notifications may be required to re submit the updated ESR notification via the Ministry of Finance's portal (to be launched shortly), followed by meeting the substance tests and filing the ESR Reports, which, for most businesses, are due by the end of this year.

Source: M&M Al Menhali Auditing

UAE government incentives to soften the impact of economic recession

The UAE Government took many progressive steps to restrict the downward slide in the growth of the economy. Some of it being:

- Liberalising the investment threshold for investors allowing 100% ownership in the mainland with certain minimum investment criteria. This will allow many of the investors to look beyond the free zone to invest and take advantage of the broader market *(see details of this in the next article)*
- Amendments pertaining to residence visa for expats professionals. Certain professionals like doctors, scientists, engineers, sportsperson and students who have scored high ranks during their study in UAE are now entitled for a 10 year visa
- Investors who are committed to a long term residence and who can demonstrate their wealth above AED 10 Million are now entitled to a 10 year visa
- Visa requirements for expats is being planned to be relaxed whereby the expats need not have a sponsor for a professional visa
- The UAE Government in order to support the business during this period reduced the fees for incorporation in certain jurisdiction by almost 30%, digitalised many of the government departments work and increased use of electronic means of submission of filing and other compliance requirement benefitting companies to work remotely.

Source: M&M Al Menhali Auditing

UAE Announces 100% Mainland Company Ownership for Foreign Nationals

In a landmark reform, the President of the UAE, His Highness Sheikh Khalifa Bin Zayed Al Nahyan signed and approved a new decree that updates Commercial Companies Law no. 2, 2015 allowing foreign nationals 100% Foreign Ownership of businesses.

His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai emphasized saying the UAE now enjoys a fertile legislative environment for foreign direct investors to enhance the competitiveness of the nation.

The new regulation has done away with the requirement of Emirati nationals as sponsors as in limited liability or joint-stock company allowing foreign business owners to fully own their companies in the mainland UAE from 1st December 2020.

Under existing UAE Commercial Companies Law, foreign shareholders are allowed to own a maximum of 49% of a locally registered company and the majority 51% held by a local partner.

Under the revised regulations, the requirement for Chairman and most of the members of the Board of Directors of private and public joint-stock companies will be abolished. The new law has superseded the Decree-Law No. 19 of 2018 on Foreign Direct Investment.

Some strategic sectors such as hydrocarbons, energy, telecommunications and transport are exempted from the new regulations. Nevertheless, the 100% ownership of companies by foreign companies has been a long-awaited and widely discussed move and earnestly welcomed by the global business community.

The Department of Economic Development (DED) shall however be responsible for determining the level of Emirati ownership in a business or company with certain activities.

Dubai and Abu Dhabi are already recognised by the global business community as one of the most attractive financial hubs. The enactment of the new decree of 100% foreign ownership with UAE's already diversified economy and low tax business climate will further lure foreign direct investment and will be the game-changer in the UAE's investment landscape.

The Amendment of Commercial Companies Law, 2015 scrapping any requirements of local UAE partners for foreign investors and entrepreneurs will invariably set the tone for increased Foreign Direct Investment (FDI) in coming years and tremendously boost UAE's Sustainable Development Goals (SDGs) alias Global Goals.

The overall impact of this amendment, however, needs to be assessed based on

- Additional clarity on the requirement of local service agents for branches of foreign companies.
- Applicability and Scope defining businesses that are excluded from the amendment.
- The effective date of implementation of this new Decree.
- A detailed picture of DED specified eligibility criteria in each Emirate for individual business sectors.

Source: Intuit Management Consultancy

Yemen on track to adopt IFRS

On the 14th of November the government of Republic Of Yemen issued a decision to form a committee to study the adoption of International Accounting & Auditing Standards and International Financial Reporting Standards in Yemen .

This committee consists of 17 members from several interested parties such as Ministry of Commerce and Industry, Central Bank Of Yemen, Yemen Tax Authority, Central Organization for Control and Accounting, Yemen Association of Certified Public Accountants.

The main duties and responsibilities include

- Following up the adoption and application of the standards
- Collecting and studying information for the purpose of defining small and medium-sized enterprise that can apply the IFRS for SME standards.
- Studying matters referred to it by the Minister of Trade and Industry related to international standards.

Source: B & H Auditing

IDEAS & BEST PRACTICES

Common mistakes firms make in developing and executing their strategic plan

By Tony Zecca

Strategic planning is misunderstood in most small and midsized CPA firms.

There have been tons of books and articles published about the strategic planning process. Developing strategies is probably the most prevalent topic that accounting firm partner retreats focus on. Firms have used numerous processes to create and execute a strong, effective strategic plan to propel them. I'm not about to suggest a new or best process for a firm to follow, but I want to highlight the five major missteps most firms and organizations make when building their strategic plan as part of a partner retreat or any other forum.

Most partner retreats focus on strategy, and they generally approach it through various methodologies built around some form of SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. Strategies are then built around the challenges the firm is facing or the opportunities that the participants envision in the belief that building strategies through this process will result in a strong, effective strategic plan.

What's wrong with that? Basically, the above process is built from the current to the future versus the future to the present. It's critical that as part of the planning process there is a strong and objective understanding of where the firm is today, the challenges it is facing and the opportunities that lie ahead. However, starting the planning process from the viewpoint of the firm today will almost always result in strategies that are mostly tactical, that look out a year or two versus strategies that are long-term, directional strategies that look ahead four to five years. In addition, the strategies, even if they're tactical, will be incremental versus game changing. The five major missteps are reflected in the graphic below:

Let's briefly dive into each step:
1. Lack of future vision supported by strong core values: The No. 1 misstep is that too many firms, whether at partner retreats or some other forum, launch into developing strategies without first having a healthy discussion about the future vision of the firm. What do the partners want the firm to aspire to? How can you develop a long-term strategic plan if you don't know what the destination is? How can you determine if the strategies being developed move the firm toward its future vision or not? All strategic planning should begin with developing a vision statement that clearly describes what the firm aspires to be five years down the road. Vision is a statement about what a firm aspires to be, and therefore is future driven: why the firm exists. Vision is a fixed point like the North Star — a destination the firm aspires to. A strategic plan built on a basis of today versus a vision of the future will always result in a tactical plan instead of a real strategic plan. As futurist John Naisbitt stated, "Strategic planning is worthless — unless there is first a strategic vision."

2. Building strategies based on myths versus facts. Every firm that begins its strategic planning process usually starts with some form of a SWOT analysis. It's critical to effective strategic planning to have a good baseline of today, which is what the SWOT analysis in its various forms is supposed to provide. In most firms the SWOT is completed through various internal sources, such as surveys, informal input from partners or as part of the partner retreat. The issue is that more often than not this internally generated SWOT ends up creating a baseline that is built on myths and not facts. Myths develop in every firm over time and, as the myth is repeated over and over, it becomes the truth. For example, a myth might exist that says the firm provides good client service based on how partners view client service. After all, "we don't get many client complaints, so it must be true." So, the myth regarding client service takes on a life of its own and is passed from person to person, eventually becoming the "truth." What if the myth is wrong and a good percentage of the firm's actual clients are not that enamored with the service being provided, but no one has ever asked? In this example, building a strategic plan would not include strategies to improve client service since the myth is the truth versus the reality. To create a correct baseline of today, the SWOT should be done using an outside consultant to lead the process and who can and will challenge the myths and look for facts to support the SWOT. In the end, the strategies developed will be based on an informed baseline of the firm today.

3. Lack of ownership: The third major misstep relates to post-retreat implementation of the strategic plan. Someone must take ownership of each strategy and drive the successful implementation of each. At most firms, responsibility is assigned, which is not the same as someone taking ownership. Ownership makes it personal, whereas responsibility makes it a task on a to-do list. At too many retreats, the firm leader will say, "Steve, this is something you are familiar with and I would like you to take responsibility for this particular strategy." Steve will in most cases accept it and do his best but will not climb every mountain and overcome every obstacle to implementation as he would if he owned the task. Ownership creates emotional buy-in to the task, whereas accepting an assignment creates a job. Think about the difference.

4. Lack of courage: The fourth and final misstep relates to leadership's lack of courage in driving the strategic plan beyond incrementalism to create a firm with a vision of exceptionalism, pushing everyone out of their comfort zone to create a standout, high-performing team and firm. This takes courage and confidence in not only the partners to succeed but in firm leadership to drive past incremental change to inspirational change. A great strategic plan should be motivating and inspire everyone to reach and stretch, as opposed to most plans that are seen by most partners as wishful thinking or, worse yet, just another leadership venture. The firm leader's responsibility is to create in everyone's mind a picture of what the firm can be and create belief in the roadmap (the strategic plan) to actualize that picture. It's the leader's responsibility to promote courage in every member of the firm to reach beyond their past performance. It's about the courage to succeed.

The goal of a strategic plan is to create a roadmap that can lead the firm from where it is today to its vision of what it aspires to be. It's not about creating strategies that beat the competition or creating a firm that implements someone else's best practices. The firm's strategic plan should focus on creating a firm that is clearly different in the eyes of clients (current and future), a firm that is based on providing value to each client to help each client become more successful. The strategic plan is not about nibbling around the edges, but instead moves the firm from wherever it is today to a firm that clients love and talent is drawn to — an exceptional standout firm.

Every firm should take the time and put in the effort to create a long-term strategic plan, mindful of the above four missteps. Many firms don't have a strategic plan that is truly impactful, if they have one at all. Far too many accounting firms see little value in a long-term strategy and find false comfort in rationalizing the lack of a strategic plan with reasons such as (1) things change too fast; (2) next year is all we can really control; or (3) the partners don't need a plan, and on and on. There's an old saying that states if you don't have a destination, any road will get you there. If the firm does not have a future vision coupled with core values and a strategic plan to achieve that future vision, then the firm will remain stuck where it has been, achieving some incremental growth but never becoming a firm that is truly exceptional.

It takes courage to move from the comfort of the past to creating a vision and strategic plan that require you to think four or five years down the road with all of its unknowns. It takes courage for firm leadership to chart a course where there are so many variables. The point leads us to a fifth major misstep: thinking that the strategic plan once developed is a static document. It isn't. The strategic plan should be a rolling plan where every year the plan is updated for the year that past, lessons learned, and a year added to the plan so that it's always a living five-year roadmap.
The challenge is to have the courage to develop a strategic plan that creates the roadmap to exceptionalism and doesn't settle for incrementalism. Finally, be mindful of the missteps so many firms make in their partner retreats when focused on developing their strategic plan. Done correctly, the strategic plan will be the roadmap to a future of exceptionalism and move your firm out of the shackles of the past.

Tony Zecca Consultant, Esposito CEO2CEO

The key to value pricing: Redefining value for clients

By Kevin Au

More accounting firms than ever are branching out, expanding beyond traditional tax and compliance services into things like advisory services to meet the expanding expectations of their clients and to position themselves as trusted advisors. Providing more services means clients are getting a better experience.

Recognizing this increased value and client experience, many firms are questioning whether they need to redefine their pricing in conjunction with their expanded service offerings.

To help accounting firms understand why now is the time to embrace a redefinition of their firms, services and pricing, CPA.com, Bill.com and the Hinge Research Institute released an accounting industry research study in June 2020 that amassed the trends and opinions of over 650 accounting firms and business professionals across the nation (USA) with respect to service pricing, bundling, technology inclusion and more. All data points referenced below come from the survey report and offer valuable guidance for firms wanting to make the switch to value pricing.

The tension between value and pricing

Historically there has been a significant perception gap between the actual services being offered by the accountant and their perceived value by the client. This is more and more prevalent as firms introduce more offerings outside of traditional business models that charge hourly rates for tax and compliance services. The perception gap causes challenges for firms adding services to their offerings and trying to change the established pricing structures clients are used to seeing.

Fortunately, as client expectations change and business models evolve, clients are increasingly open to alternate non-hourly billing arrangements, especially when introduced within the first five years of the relationship, allowing firms to align value and pricing. Value pricing incorporates the estimated worth of your services into the prices you offer your clients.

Value pricing often means shifting away from hourly billing structures, and clients are open to these changes. Of the buyers surveyed, 63 percent already pay for accounting services through fixed monthly fees or on a per-project basis. And once these non-hourly pricing structures are established, 80 percent have not switched billing models, which suggests a high likelihood of them staying in place for the entire life cycle of their engagement with the firm.

Pricing and packaging

Anytime you change business models or pricing strategies, there is some risk of client attrition. That's why benchmarking data is incredibly valuable in determining how you bundle your services and what you charge for them.

A key factor in switching to value pricing is how you present your prices and services to your clients. Nearly 60 percent of firms offer advisory or consulting services in addition to traditional services, and clients are both embracing these bundled packages and willing to pay more for them under value-pricing structures.

Packaging and pricing tend to vary based on the size of the accounting firm. A bookkeeping and financial reporting service package, though, was a top-three package at all firms surveyed, regardless of size, suggesting that it's one of the highest-value bundles a firm can offer. You should determine which bundles appeal most to your particular clients and focus on promoting those first.

While it might seem intuitive that you can charge more as your firm gets bigger, many midsize firms are charging more than both large and small firms. This highlights a major benefit in having the right number of employees to be able to fully understand how to execute value pricing, while still being agile enough to move quickly with the right resources to implement it to meet specific client needs.

The role of automation

Automated firms face fewer challenges in adopting value pricing. Both value pricing and automation speak to being in tune with the realities of today's accounting marketplace, allowing firms to truly focus on delivering value rather than simply putting in time.

Effectively communicating the benefits of automation to your clients is directly linked to successfully increasing prices. Most clients understand that automation saves time, but explaining how that time saved translates into direct client benefits, even with increased prices, makes firms nearly 3.5 times as likely to succeed in implementing new pricing.

Clients must understand that automation is their friend, and that requires tying automation back to value. Automation may mean firms are spending less time on individual client tasks, but your clients will also need to see they are having to do less back-end work. As a result of automation, organizations will have newly freed up time allowing them to focus on their customers' needs, their businesses and how to improve their revenues.

Opportunities for firm growth

For many firms, the move to value pricing starts with new and more recent clients. These clients are less attached to past billing models and easier to transition. As you find success with value pricing with those clients, you'll have more concrete benefits to present to your long-term clients who are reluctant to make the switch.

Another strategy for firm growth is knowing what your clients need most and communicating those services to them. Buyers are willing to pay more to address their most significant accountant challenges, which include planning for growth and expansion, managing cash flow and minimizing overhead cost. These challenges directly connect to the true value of offering strategic advisory services, which can increase monthly firm revenues by up to 50 percent on average.

While firms in the past offered the same general services, many firms are now more specialized or offer niche services, which also aligns with client desires — 27 percent of surveyed buyers said they want their accounting firms to be more familiar with their industries. Clients don't want to pay firms to learn their business and are willing to budget more for advisors who already understand it. And while buyers reported using tax preparation, bookkeeping, financial reporting, and financial closures and statements the most, the survey results identified additional areas of increasing interest to buyers, which represent growth opportunities for firms. The services ranked as highly valued by buyers include accounts payable/bill pay, forensic accounting, data analytics and technology services. So having these services in addition to knowing your client's industry gives your firm opportunity for growth.

It's important to remember that perceived value of services is not fixed. It adjusts according to the situation and a client's needs at any specific time. Value is subjective, while pricing is objective, and bringing those perceptions in line is key to redefining your billing structures.

The takeaways

The accounting profession has opportunities to seize. Clients are willing to pay more to address their most significant accounting challenges, whether that means value pricing, bundled services or both. Referencing these challenges with prospective buyers allows accountants to draw a line from challenge to the correlating services that address them. Strategic advisory services offer the biggest revenue opportunity for accounting firms, as they are a way for firms to demonstrate their value by offering the solutions that clients value most. Consider focusing on one or more of the areas most often identified as valuable to buyers.

Where do you start?

1. Create a services roadmap. It may not make sense for your firm to launch all potential expanded services at once, but creating a timeline for making it happen will allow your firm to work toward a common goal.

2. Reassess new technology capabilities as modern advances — including AI and automation — make it much easier for accountants to increase efficiency and improve the customer experience.

3. Experiment with value pricing. Value pricing isn't solely about profit. It is also a solid component of your client strategy. Fixed pricing allows buyers to focus on the big picture and results while using benchmarks as a reference point. If you can establish a concrete connection between client problems and firm service offerings, you'll be well positioned to make the switch to value pricing.

Kevin Au Senior director, Bill.com

10 red flags for firms to avoid after COVID-19

By Dom Esposito

Many small and midsized CPA firms have the potential to fail post-COVID-19 if they don't address the issues that will inevitably pop up after the pandemic subsides. Here are 10 common red flags to avoid:

1. Insufficient partner cash capital and high dependency on banks for working capital
This becomes particularly problematic when monthly draws are paid from the bank line and not from earnings. In best-of-breed practices, every equity partner is required to put a minimum amount of cash capital into the firm upon admission and, as the years progress, continue to put in cash capital every year as a reduction of compensation until the firm's required capital amount is achieved. If it is subsequently determined that the firm needs additional cash capital from the partners, such amounts will subsequently be funded.

2. Ineffective governance and an unwillingness to make tough decisions
These include addressing partner issues such as too many partners, ineffective partners and partners who don't play by the rules. Sometimes the CEO is a benevolent dictator and sometimes partners just run amok and do as they please. Many of the Top 100 Firms have effective executive committees who are responsible for approving strategy, making sure that plans are executed in a timely fashion, and evaluating and compensating the CEO.

3. Promoting their largest biller or best business developer to CEO
Being CEO is often not the highest and best use of a partner's talents. Other firms are run by committee or responsibilities are shared by two partners. Generally, these arrangements are also ineffective. To ensure they are getting the best candidate to be CEO, firms are "protecting" the CEO with a compensation and severance agreement that ensures employment for two or three years, with commensurate compensation after the person steps down as CEO.

4. Too many small acquisitions that create little or no long-term value
Acquisitions of $1 million to $2 million practices are usually a short-term play with little, if any, stickiness to them. They often are, pure and simple, buyouts of retiring partners with low-quality practices and professionals who are not as technically proficient as they need to be. The best of breed shy away from small acquisitions unless something very compelling is being presented. These firms look at mergers and acquisitions differently. They are strategic and/or talent plays, and are usually larger, with some excellent clients and people. If everybody plays by the rules, there is a good chance larger mergers and/or acquisitions will create long-term value for a firm. It's very dicey with small acquisitions but some firms fail to comprehend that "buyer beware" signs.

5. Not recognizing that advisory/consulting work is the future
If a firm is operating under the old accounting firm model and is doing principally low-margin compliance work, sooner or later that firm will be out of step or, worse yet, out of business. Compliance work post-pandemic will be generating lower margins than it did before the crisis. It's difficult to generate more profits for the partners in this environment, particularly as the cost of doing business continues to increase. Smart firms have begun to realize they need to shift from a compliance shop to a professional services firm model by beginning to develop advisory and consulting skills such as transaction advisory, cybersecurity and litigation support. It's where the money is!

6. A bulging, unfunded partner deferred compensation plan
These will be difficult, if not impossible, to fund unless a firm is continuously tracking high growth in revenues, profits and young, junior partners. Some of these plans also have no caps on distributable income available to retired partners, and many others are very burdensome when accrued capital payouts are added to deferred compensation payouts. The larger, more successful firms have a cap on distributable income available to retired partners of about 12 percent and do not pay retiring partners their share of the accrued capital on top of a deferred compensation amount that is generally paid over 10 to 12 years.

7. Not recognizing that not all partners can perpetuate the firm
This is a particularly important acknowledgment in a slow-growth environment when it is difficult to grow revenues and profits. In the old days, when people were admitted into a partnership, they were immediately admitted as equity partners because that's the way it always was. Some firms continue with this outdated practice. As a result, they become top-heavy and burdened with heavy retirement obligations and a clogged pipeline for future partners. Many Top 100 Firms have recognized this business challenge years ago. Today these firms are moving toward a 40 percent equity/60 percent non-equity mix, which is much more realistic in a slow-growth environment.

8. Inability to create a culture that is 'firm first'
Some firms operate as if they were a bunch of independent contractors working under one roof sharing operating expenses. It is an eat what you kill environment that is unable to sustain itself over the long term. The focus is on "I" not "we" and partner compensation is heavily weighted toward personal charge hours and books of business. The firms with staying power, on the other hand, have figured out many years ago that they need to operate as a team if they want to perpetuate the firm for the long term.

9. Lacking a strategy with teeth in it
Lots of firms have strategic plans, but they are sitting on a shelf collecting dust. They develop a plan at an annual off-site retreat, but when they get back to the office, they ignore it and go back to serving clients. It is business as usual. The best firms use their strategic plans as "living documents." They hold their partners accountable for executing on their piece of the plan and, when it comes to compensation time, take into account results vs plans.

10. Lack of a credible succession plan for senior positions
Too many firms promote new partners because they have to get the work out the door, but while these partners serve an immediate role, they provide little, if any, promise that they can help perpetuate the firm down the road. It is hard to get the work out the door and at the same time plan for the future by promoting and developing partners with potential to lead the firm. While it is difficult, it must get done and can be done if given the right priority and focus.

If your firm is experiencing one or more of these red flags, it behooves you to do what is obvious and address the issues head-on. These are common reasons why firms fail or at least fail to reach their maximum potential. All of these issues can be fixed, although some will take several years before they are fully corrected. The good news is that others were smart enough to recognize they had a problem and did something about it. Are you that firm or are you the firm that will continue to keep its head in the sand?

Dom Esposito, Founder, ESPOSITO CEO2CEO an advisory firm that consults with small and mid-sized CPA and professional firms.

3 keys to a better online presence

By Kyle Walters

Your firm's online presence has never been more critical to your success. When someone is referred to you, what do they do first? They don't call your front desk to schedule an appointment — they Google you. If your web presence doesn't pass the sniff test right away, they'll quickly move on to another firm that does.

When it comes to your online presence, there are dozens of other things you can work on to make a great first impression. But the "Big Three" below will dramatically improve your results:

1. Online reviews
2. Website
3. Newsletter

1. Online reviews
In the past, when people needed to find a CPA, doctor or insurance pro, they asked their friends, colleagues and close relatives for a referral. But now Google makes it easy to get dozens of targeted referrals and endorsements in about five seconds. It's changing the way professionals acquire "social proof."

If you think online reviews are only for stores, hotels and restaurants, think again. Medical practices, dental practices and most other professional service firms have patient/client reviews on their websites. In fact, you start to look conspicuous if you don't. You don't have to have all five-star reviews, by the way. You just need solid ratings from happy clients to balance out the occasional one-star rant you'll get from a cranky client.

Don't have a lot of reviews yet? Don't be afraid to ask your best clients for online reviews. The key is to collect feedback from as many of your clients as possible. If you continue to provide great service and get great results for clients, the positive reviews will far outweigh the negative reviews organically.

2. Website
Your website is a fantastic platform for specifying exactly who you work with and how you help them. Keep your messaging clear and simple with a template like this: "We do {list primary services} for {types of clients} so they can {list benefits they receive}." For example, you could say, "We provide numbers that successful manufacturing companies can use so they can get back to growing their business."

With the exception of your home page, prospective clients are more likely to visit your "team" page than any other page on your site. Make sure everyone on your team has a decent headshot and a brief professional bio. Remember, your clients and prospects don't want to work with a logo. They want to work with a person. Even for those of us who aren't always confident on camera, it's worth allowing our clients to see who we are. They want to see the real people who are guiding them through their most important financial decisions.

It's also essential for your website to make it easy for visitors to contact you and remain engaged. In addition to having your contact information clearly visible on every page, I recommend having an email "capture" mechanism on your website. It might be an offer: "Download our weekly insights," or "Download this helpful guide." Create something relevant that adds value. Otherwise, your site visitors have no reason to share their contact information with you. This time of year, you could offer tips on "Year-End Planning Strategies" or "Tax Loss Harvesting." It's a great way to stay in touch with prospects and nurture them along to becoming clients.

3. Newsletter
Your email list is one of your firm's most valuable assets, but few firms leverage it. Clients want to hear from their CPA. You're the trusted advisor, in effect, their Personal CFO. Whether you call your newsletter Insights, Quick Takes, Perspectives or simply a monthly bulletin, your clients want to know what you're thinking about all the complex dynamics that affect their financial lives.

I know what you're thinking: "Sometimes I don't have anything to say." Clients aren't expecting Pulitzer-winning journalism. The point of your newsletter is to stay top of mind with your clients. Trust me, once they see the newsletter in their mailbox it will remind them to call you about a financial matter that's been weighing on them. They might have an issue with their business. Perhaps they're thinking about retiring, or one of their key employees has left, or they need funding, or a child just got engaged and they have to plan a wedding. They need to talk to you ASAP.

Think of the newsletter as a value-added reminder. Clients may not get around to reading the tax tips you shared, or the new estate planning rules you deconstructed for them, but they're not going to delete it. The important thing is they heard from you and they want to talk to you right away. Isn't that more important than open rates and clicks?

Your online reviews, website and newsletter comprise the three-legged stool of your online presence. Stay in touch with value-added reminders. Make it clear what you do, who do you do it for and the unique benefit you provide. In my next article, I'll share the "how-to" components of building the right digital presence.

Kyle Walters Partner, L&H CPAs and Advisors

Marketing Plans and Why You Need One

By Marc Rosenberg

Sorry for those of you who have absolutely no interest in football, but a marketing plan is as important as a football team's game plan for the week. It's a blueprint for how to win the game: how much passing versus rushing, working on the opponent's weaker players by name, running left versus right, short passes versus long passes, who plays on which plays, and so on.

A marketing plan is a comprehensive written document outlining

1. The firm's practice development activities within a set time frame
2. Goals and action steps necessary to achieve the firm's targeted revenue growth
3. The best use of the firm's resources
4. The partners' preferences in terms of what they are willing and not willing to do. Examples: how active the partners agree to be in selling and advertising, use of internal personnel rather than relying on outsiders like marketing consultants, and whether they prefer to be generalists or specialists
5. A budget for the firm's investment in practice development activities

Why create a marketing plan?

1. It provides direction and vision for the firm. The plan makes the firm proactive instead of reactive.
2. Priorities are defined and clarified throughout the firm.
3. It increases motivation because everyone sees how they fit into the big picture.
4. Activities are more efficient and coordinated because everyone pulls together in the same direction, reducing conflict.
5. It ensures that individual business development activities flow from firmwide strategies and priorities.
6. It makes the various marketing and business development efforts more effective because activities are integrated. Example: If the firm's goal is to establish a construction industry niche, goals and action steps might be to speak at construction conferences, write articles for construction publications, send out newsletters for the construction niche and call on construction industry prospects and referral sources.

What's the difference between a marketing plan and a strategic plan?

We get asked this all the time. Our stock answer is that they are very closely related. A strategic plan addresses every aspect of the firm, including management, staff, succession and profitability. And, oh yes, practice development.

A marketing plan is one component of a strategic plan. The majority of firms struggle mightily with strategic planning, so they don't even try. But marketing plans are more common because they are (1) easier to devise (not necessarily easier to implement) and (2) often perceived as more urgent.

The same overarching approach needs to be taken to create both marketing and strategic plans:

Vision → Goals → Action Steps

Any marketing plan needs to start with a vision:

1. What revenue increase does the firm want in five years?
2. How do we see the revenue increase breaking down?

	Annual Revenue
New clients from referral sources.	+
New business from *existing* clients.	+
Expanded services to *existing* clients.	+
Mergers	+
Fee increases	+
Lost clients	-
One-time projects (not repeating)	-
Other	+ -
TOTAL	+

3. Which way do we want to grow? Which path(s) do we want to focus on?

- More business development activity by the partners
- Recognize that the partners have sales limitations and need help from others such as a marketing consultant or marketing director
- Mergers

The answers to these questions will determine the scope of your marketing plan. For example:

- If the firm wants to grow at 10 percent per year instead of 5 percent, the plan will need to be very aggressive.
- If the partners "know their limitations" and business development isn't their thing, then the firm should hire a marketing consultant.

After the vision is created, the next step is devising the goals to achieve the vision and the action steps that will be followed to achieve the goals.

Example #1
- Vision: Grow 5 percent annually.
- Goal: Specialize in the construction and physician niches.
- Action steps: Appoint a niche champion and write three articles a year for niche industry publications.

Example #2
- Vision: Grow primarily from increased business development by the partners.
- Goal: Each partner will devise an individual marketing plan.
- Action step: Hire a marketing consultant to provide curriculum-based training in business development, phased in over a two-year period.

Key Elements of a CPA Firm Marketing Plan

No firm's marketing plan incorporates all 25 of the elements below. Firms need to select those elements that fit their unique needs and capabilities.

1 Start with the firm's vision. Then move into goals, followed by action steps that support the goals.
2 How is the firm different from its competitors? What is the firm's image? What do you want it to be?
3 Brand and different.
4 Emphasize niches and specialties.
5 Most new business comes from existing clients, so focus more on them than prospects.
6 Nurture and develop referral sources.
7 Identify prospective clients and convert them to clients.
8 Train partners and staff in business development.
9 Hire marketing directors and coordinators, marketing consultants, or both.
10 Network via organizations, associations, and civic and charitable groups.
11 Hold seminars, give speeches and write articles.
12 Build a website.
13 Use social media.
14 Create blogs and newsletters.
15 Build your database of prospects and referral sources.
16 Create a firm brochure.
17 Send out direct mail.
18 Do advertising and public relations.
19 Manage partners' time so that marketing gets done, not pushed to the side.
20 Conduct client loyalty and satisfaction surveys.
21 Obtain client testimonials.
22 Set a marketing budget.
23 Make sure there is accountability for business development.
24 Determine compensation and incentives for business development, for both partners and staff.
25 To achieve the marketing plan's goals, the firm MUST have a marketing champion.

One of the cardinal rules of goal setting is "short beats long every time." Keep the plan short and sweet. Every goal should be high-impact. Resist the tendency to write a laundry-list plan that has way more goals than anyone can possibly accomplish. This is especially true for firms that lack experience in executing marketing plans. When a marketing plan has too many goals and the goals are not achieved, it's demoralizing and reduces enthusiasm for the plan.

By Marc Rosenberg
The Rosenberg Practice Management Library

The future of auditing is coming faster than you think

By Erik Asgeirsson

We're in a golden age of innovation within the accounting profession, with profound changes coming to all major areas of practice. Nowhere is this more evident than in auditing, where multiple efforts are underway to completely reimagine how auditors conduct their work and provide value to clients and the public at large.

My advice to firms: This is no time for a wait-and-see posture. No matter what solutions you may ultimately adopt, firm leaders should be preparing for a new era of auditing. Take stock of your team's strengths and weaknesses. It all starts with changing your firm's mindset and evolving your strategy, and the time to do that is right now — not down the road when you're ready to make a technology choice.

Here are some things to keep in mind as you move forward:

Take the time to do internal assessments. What are your service line strengths and specialties? What's your growth plan? Does your firm have the right staff with the right skill sets? How technologically savvy is your team? Do they have familiarity with data analytics? Make a plan to build your competencies, fill in weaknesses and have a strategic timetable for migrating to more robust audit and assurance solutions.

Make sure you have buy-in from stakeholders. The first group you need to convince is your own staff. The evolution of the audit is not just a technology and methodology story, it's a firm transformation story. You'll need internal champions. You must set up a detailed training program. And you'll need clear communication plans, both for your staff and your clients, to explain the coming changes and the new value proposition behind these moves.

Technology at this level is not plug and play. Once you've made your technology choice, you'll need to conduct a gap analysis of your current resources and have detailed migration plans. Roles should be clearly assigned to make sure every step is done on time. There will be integration and customization issues to address. At CPA.com, we're developing project playbooks to help firms navigate the process with our solutions.

Exercise patience after you roll out your new services. Evolved audit solutions will provide immediate benefits but their true power is tied to the vast pools of data that will create benchmarking, refined identification of anomalies, and other key insights once adoption is widespread and the learning aspect of higher-order artificial intelligence can truly kick in. These systems will only get better with time.

Change management is one of the hardest tasks in business, particularly so in complex areas such as the audit. Early planning and strong communication can help your firm get on the inside track to the future.

Erik Asgeirsson President And CEO, CPA.Com

Innovation requires five pillars

By Gary Boomer

Most small businesses and CPAs are talking about innovation as the COVID-19 pandemic has driven the accounting profession forward. Firms went from having the majority of their employees in physical offices to having most of their workforce working remotely, all within a 48-hour timeframe. Is this innovation or optimization?

I am confident there are those willing to debate, but the purpose of this article is to guide the accounting profession to become more innovative and less focused on optimization. It primarily requires an adjustment in mindset, as the toolsets and skill sets are already available. The accounting profession often underutilizes these tools and skills. I have always looked outside the profession to see what innovation others are employing and how our profession can leverage that innovation to create value.

Innovation efforts at most firms, often lack a clear mission and framework. It is not unusual to have multiple groups working on innovation at the service level while competing internally for resources and duplicating each other's efforts. This happens in well-managed firms and can generate an environment that is hostile to innovation. Short-term goals, existing metrics and an inward focus can also be obstacles to innovation.

This is why many large firms and businesses have utilized a chief innovation officer to counterbalance the natural killing instinct in a firm's business units and develop a more innovation-friendly environment. It is a difficult job, and requires leadership, talent, technology, processes and a growth mindset. These are the five pillars. I will explain their importance, but before we talk about them, let's address some of the challenges within firms and the different roles the chief innovation officer, or CINO, must fill.

According to a 2014 article in the "Harvard Business Review" by Alessandro Di Fiore, innovation requires the support of best practices (internal and external), developing skills, supporting service line initiatives, identifying new markets, generating ideas, funding, and sheltering promising projects. As you think about these requirements, they are dynamic and must work together in the innovation process. At times they are sequential; at other times, they operate in parallel. Without ideas, it is impossible to innovate. With too many ideas, they must be filtered and prioritized. Di Fiore graphically plots these as a spider web that expands and contracts depending upon the situation.

This is where the five pillars come into play.

Leadership

Without supporting leadership, it is difficult (if not impossible) to focus and get the required resources. The vision and strategic plan should act as the guiding star for your innovation projects. Leadership

goes beyond the C-suite and is required at all levels. Some of the more important leadership characteristics are:
The ability to connect and associate different perspectives (clients, multiple advisors, trends, technology, etc.);
The ability and willingness to question the status quo;
The ability and willingness to hold one's self and others accountable;
The willingness to participate in "safe haven" meetings with peer leaders; and,
The ability to manage, not avoid risk. The quantity of new ideas improves quality. Create the environment to promote, not stifle, innovation.

Technology
In my discussions with leading CINOs, they all say their technology skills are critical to the innovation process. In fact, many were chief information officers before becoming chief innovation officers. There is an old saying about technology, "You don't have to know how to build the watch, but you do need to know how to tell time." Technology is an enabler, not a disrupter, depending upon your mindset.

One word of caution: People often view technology as the primary component of innovation. In reality, innovation requires all five pillars. People tend to ignore process and avoid change in order to support personal preferences. This reduces the rate of return on their technology investment and negatively impacts the client experience. More on process later, but you should not employ technology without process and vice versa.

The cloud has been a major advantage in integration, workflow, security and the elimination of redundant data. Technology is also an area where peer communities can provide hindsight, insight and foresight and reduce project time and investment. Avoid the temptation to "get high on your own supply." Look outside your firm and even outside the profession.

Talent
People with delivery skills dominate mature and typically declining firms, but they often lack discovery skills. Typically, one or more of the firm's founders were entrepreneurial and tended to hire people for their delivery skills, rather than discovery skills. As a result, many partners and managers don't know how to think about discovery or give enough value to innovation's importance. Accounting programs teach people delivery skills, as do most of the on-the-job training and mandated CPE requirements.

There are basically two types of innovation: directional and intersectional. Directional innovation tends to improve a service in fairly predictable steps with a well-defined dimension or goal. The majority of directional innovation is accomplished through increasing levels of expertise and specialization (delivery skills). Some would call this optimization, rather than innovation. This is a low-risk approach and one with which many CPA leaders are comfortable. There is nothing wrong with directional innovation. However, it is limiting because most of the participants are looking at the problem from the same perspective.

The entrepreneurial step-up in innovation and the one leading firms focus on is intersectional or client-centric innovation. It not only involves the client but multidiscipline advisors. This can be difficult due to egos and personalities, but the CPA is the most trusted business advisor and should take his or her role seriously by acting as the quarterback when it comes to innovation and improved client services.

This is also where firms often lack the skills and required talent. Implementation requires facilitation skills, technology, marketing and selling of ideas/services, project management and data analytics. These skills can be employed or sourced depending on the situation.

Processes
Innovation requires multiple processes, but the most important is the innovation process itself. Innovation involves disruption, often to the incumbent. For that reason, it is generally impossible for the person generating the idea to prove it and ultimately scale throughout the organization. This typically requires a process manager. Other important processes are generating ideas, filtering ideas, funding projects, and protecting projects while they are being proven and brought to scale. This involves governance, policies and especially leadership to ensure that innovation is a priority and happens.

Growth
Without growth in capabilities and capacity, firms become stagnant and services are commoditized. Growth goes well beyond revenue. In fact, increased revenue is a result, and the way accountants keep score. Traditional audit and tax practices are being commoditized by disruptive technology. Innovation

enables firms to package and price these compliance services with advisory and consulting services in the short term.

If independence issues are holding your firm hostage, you must evaluate your ability to sustain success and remain relevant. It is a difficult decision for many, but simply a risk management and opportunity assessment decision for others. Much of the public accounting profession's growth in the past few years has been through mergers and acquisitions, with organic growth hovering around 5 percent. Do these mergers bring innovation? Or do they bring the ability to optimize on a larger scale while still focusing on traditional services? I want to think both, but the can has simply been kicked down the road in many cases.

Growth is necessary to attract and retain quality talent as well as better clients. Do you have the right clients to allow you to grow capacity, capability and revenue, or are you trapped in creative destruction? In 1942, Joseph Schumpeter defined creative destruction as the incessant product and process innovation mechanism by which new production and service units replace outdated ones. I believe that all of these factors contribute and factor into a firm's ability to grow.

Innovation is part of a firm's culture and DNA. It requires leadership and the willingness to manage risk. Not every idea is a great idea, but the quantity of ideas determines quality. Successful firms balance discovery and delivery skills.

Does your firm have the discovery skills necessary to meet your clients' demands in a rapidly changing world? Do you provide your leaders and people with the time and resources to innovate? Based on recent studies, most firms are less than 50 percent chargeable. What better use of the nonchargeable time than innovation, training and new business development? Think — plan — grow!

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Is Your Leadership Team at the Edge? 5 ways to evaluate them.

By Anthony Zecca

"Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results." – Andrew Carnegie, industrialist

The above quote by Andrew Carnegie really puts a fence around the key responsibilities of your leadership team:

1. Ability to lead their team to work together toward a common vision
2. Ability to direct (drive) their individual team members' efforts and accomplishments toward maintaining alignment with the firm's objectives and
3. Ability to inspire and motivate each team member to achieve more than they have and to reach top performance and top results as a team

Except in the smallest of firms, the firm leader has a group beneath him that forms the leadership team (practice leaders, marketing, finance, industry leaders, etc.). The leadership team could be structured along service lines (e.g., head of audit, head of tax, etc.), geography (e.g., regional managing partners, office managing partners) or some combination. The structure does not matter – the type of leader does.

The question for the firm's Edge leader is, how do you assess the effectiveness of the leadership team you depend on? How do you assess whether the members of your leadership team are Edge leaders or center leaders?

Here are the measures I suggest you use to evaluate whether your leadership team reflects Edge leadership that is aligned with your Edge leadership:

Team building and judgment of people: Every member of the leadership team needs to excel at and be focused on team building and being able to effectively judge the individuals who work with them. Each leader needs to excel at the three bulleted skills noted above. A leader can't be an Edge leader if they do not have the ability to build a successful team and they can't build a successful team if they lack the ability to judge people. Edge leaders accept that their strength and results as a leader are dependent on the team they lead. Results are dependent on every person on the team recognizing that the team's performance is central to individual performance. Accounting firms generally have very talented professionals who contribute to the firm's success every day and yet, very often work in silos. Edge leaders know how to build teams and teamwork in an environment where very talented people can easily focus on their own performance at the expense of the team's performance. Corralling very strong, talented people into a cohesive team is a critical skill that requires each leader to successfully navigate the following steps:

- Establish their leadership: Edge leaders know that to build a great team, they first must build the team's confidence in their leadership – building trust through integrity and transparency. Each team member needs to have confidence and trust in the integrity, transparency and dependability of the leader, or teamwork just does not happen.
- Build relationships with each team member: Edge leaders understand the importance of spending time with each team member to understand their skills, their challenges, what they like and what they don't like. Using these insights, team members should be given decision-making opportunities that align them with projects where they have the most talent. Edge leaders understand the importance of personally coaching and working with each team member to maximize each team member's skill, career path and client experience as an integral part of building the relationship.
- Foster teamwork: The Edge leader recognizes the importance to team building of providing opportunities for team members to work together, to share ideas, to be comfortable in asking for help and to successfully complete projects as a team. To create a successful team, it is critical that team members establish positive relationships with one another. Edge leaders know the importance of listening to the concerns of team members and of communicating issues in a positive, constructive way that the team can address.
- Finally, Edge leaders know the difference between listening versus telling.

Set ground rules and expectations: Edge leaders set boundaries within an empowerment model. Empowering team members is critical in allowing decision-making to flow to each team member. Boundaries must be established so that the decisions being made are appropriate to the level and skill of the team member. It is critical that expectations around individual performance and team performance be clearly explained. Edge leaders set the expectation that the team must function as a team and that each member of the team, including the leader, is responsible for the success of all other members of the team and therefore, the team itself. Edge leaders enforce both the boundaries and performance expectations in a constructive way in order to build the talent and confidence of each team member and the team as a unit. Edge leaders ensure that when discussing performance, the discussion is about both the individual and the team.

Firm first: This is an absolute. If there is any member of your leadership team who exhibits behaviours and actions that are not firm-first in intent, challenge the behaviour once, and then if there is no change, it's time for a harder decision. Edge leaders know that for the firm to be successful and to achieve its long-term vision and strategy, there is no room for "me-first" or silos. Each team leader must lead their team within a common and shared vision that is based on what is best for the firm and not the team or any individual team member.

Execution of strategy: There should be no question as you assess your leadership team along this characteristic. As the leader of the firm you have been clear on communicating the strategy and vision for the future. Your team has been involved in developing the strategies and the execution plan. If any member of your team is not willing or able to execute against the strategies, then that individual cannot be part of your leadership team.

Communications: A hallmark of an Edge leader is someone with strong communications skills, whether they are communicating good news or not-so-good news. Assess how your leadership team communicates with you and talk to some team members about how well their team leader communicates with them. This is a learned skill, so if you have a leader who is not quite there as an Edge leader in this area, provide training, which should benefit you and the entire team.

Character and integrity: If any of your leadership team creates even one issue around ethics, character or integrity, it's time to change, because no training will change a person's moral compass.

The above measures will clearly allow the firm Edge leader to assess how effective their leadership team is and answer the questions:
Are they or can they become Edge leaders?
Can they help drive the success and strategy of the firm?
Are they building great teams and future leaders?

As the firm leader, your success is directly impacted by how well each member of your leadership team performs. Your team needs to lead from the edge, share your vision, believe in your strategy and love the culture that you created. If they do, the team will have a positive impact on your leadership and on the firm's performance across all metrics that matter.

You set the expectations. Then it becomes mission-critical to communicate the important responsibility each team leader owns to drive their teams consistent with the long-term vision and culture of the firm.

Finally, it is so important for the firm Edge leader to communicate clearly to the entire leadership team that in order for the firm to achieve the level of performance that reflects a standout, high-performing firm, they have to drive their teams to the level of a standout, high-performing team.

We addressed culture from the beginning. That was not by accident but rather my thinking and the thinking of all leaders I interviewed that it starts and ends with culture. Edge leaders know that it is their actions, communications and leadership team that have the most direct impact on the firm's actual culture. The leadership team is the front line in terms of driving the culture throughout the firm and that is one of, if not the key reason why choosing each member of the leadership team is so critical to the success of the firm and the success of the firm leader. It is why assessing the leadership team to ensure constant alignment with the culture, vision and long-term strategy is one of the most critical responsibilities of the firm's Edge leader.

The success in driving culture is directly related to the cohesiveness of the leadership team operating as a team with a shared vision and commitment to how the firm should operate (its culture). Central to their ability to drive culture is having the right talent throughout the firm. I don't think any leader, center or Edge, would disagree with the idea that the firm's talent is so critical to the firm's ability to be successful. I think every leader would agree that the quality of the firm's talent is directly related to how effective the firm's leaders are in judging every team member's potential, coaching to help each team member achieve excellence and working hard to make sure the firm has the best talent at all levels.

Moving that concept up, I would say that the firm with the best leaders wins. Assessing the effectiveness of the leadership team is not a once-in-awhile exercise. It should be an annual process linked to the performance evaluation of each leader coupled with goal setting for the upcoming year.

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