

# FOCUS

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## Managing Mayhem in Times of Uncertainty

**Risk assessment and managing uncertainty is entirely a different ball game now.**

Earlier it had bigger timelines - one year and more. Risks were associated on strategic front than on running operations. Risks and uncertainties were not determining the going concern of a business. The businesses were not evaluating risks for survival. Risks had to do with the medium to long term plans of the business, and the allied investments. Today Risks differ with each business. You need to have different risk perception if you have diversified businesses to handle.

In view of the uncertainty of the time frame and inability to predict as to when the situation may end, unprecedented.

Thus, the focus is to manage today, next month/quarter, and the risks. This assessment needs to be on daily basis. These have to do with running operations and going concern. The need is to navigate and get through this phase.

On a practical front, these areas need now different skills:

- 1) Forecasting – it is a great job, if you can have a break even in your business.
- 2) Dealing with Banks and those who have been lenders.
- 3) Collections: Are you willing to change your actions to see that collections do trickle in your cash flows?
- 4) Dealing with internal stakeholders. Need more patience, and a better listener

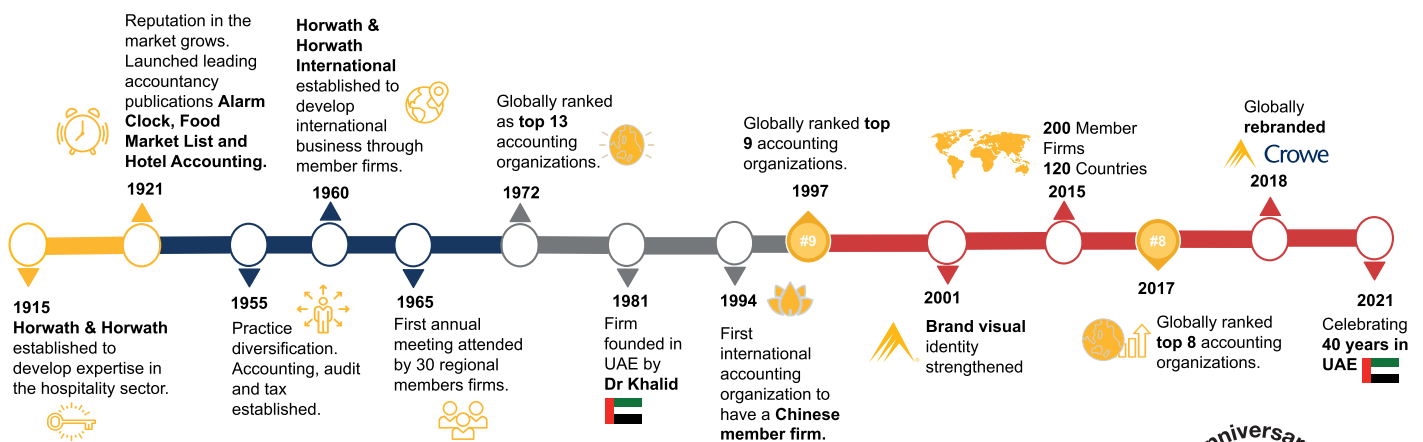
- 5) Digital initiatives
- 6) World of supply chain management- Do you have equal empathy for your suppliers and customers?

And many more.

Inspired from an article of Anand Soni.



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## How to identify corruption risk ?

Latest fraud cases have highlighted the importance of comprehensive due diligence management for the financial services sector. For both investors and stakeholders, verifying the financial authenticity and viability of entities should be a top risk management concern. However, given the fast-paced and global nature of the financial services industry, identifying potential red flags, such as unsustainably inflated accounts, is often hard.

Data-driven due diligence solutions can support entities in mitigating these red flags and reduce financial business risks. By offering a data-focused approach to due diligence companies can develop a 360-degree risk assessment. Whether organizations turn to an off-the-shelf due diligence platform or integrate

risk-related data into in-house systems and analytics applications, they need a full range of sources, including general and adverse news, legal records, press releases and company reports, etc. These sources can provide substantial insights into the financial services industry and support entities in their due diligence management.

Latest fraud cases have made it clear that investors and stakeholders should perform a thorough background check on the financial health of a company, as well as a review of the personal and professional history of involved individuals, which seemed to have been absent in the present case. Access to comprehensive and global content paired with sophisticated **Artificial Intelligence** driven tools provides for the necessary clarity to confront potential financial risks and to safeguard organizations' reputation.

A progressive reform of financial supervisory bodies in combination with an enhanced due diligence process to mitigate similar cases in the future should be at least two of the lessons to take away from the latest fraud scandals.



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## Tourism recovery – should we be concerned about ISA 570 Going Concern?

### Revival Efforts

A lot of effort is being made by governments and businesses to help the Travel, Tourism, and Hospitality industry recover. The travel corridor between the UK and the UAE is proving popular as fewer PCR tests and no quarantine means holidaymakers can make the most of their time off.

### When will the industry recover?

This does sound encouraging and travel expects the travel industry to fully recover in a couple of years. However, several businesses especially the Food & Beverage industry have found the past year a challenge. Many predict they will be unable to sustain losses for the year or even two years, ahead.

### Going Concern

As finance professionals be it in practice or industry, there is a cause for concern. Specifically, Going Concern. The end of the fiscal year 2020, audit opinions will have to formed in the coming weeks. This

was perhaps, the most economically challenging fiscal period in a while.

### Greater professional scepticism

Factors that need to be considered when assessing Going Concern are largely defined by ISA (International Standard on Auditing) 570. However, these are unprecedented times and professional bodies as well as regulators are urging the use of greater professional scepticism.

Careful assessment of management assertions is required, especially around how with changing needs of the business and leisure traveller will impact turnaround. For example, will companies host as many conferences in person as they used to? Or are they now used to online conferences. Cash flow projections hence need to be robustly tested. There is concern about how quickly holidaymakers and businesses will resume travel.

Lastly, financiers and lenders have so far been lenient and given generous payment holidays. There is concern about how long this will last and more importantly, how will arrears that have built up in the past year, be cleared.

## Working together for a sustainable future

To have a recovery that is both sustainable and effective, stakeholders need to work together in ensuring financial reporting is true and fair. Whilst there is an element of estimates, all stakeholders need to ensure they are offering their full support to minimise the impact of Expected Credit Losses and provisions, which will help preserve stakeholder value and ensure businesses can operate as a Going Concern.



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## On demand virtual advisory services

Businesses often require a quick consultation of an expert to make informed decisions. Regulations influence various business decisions as well as day-to-day activities.

In the UAE, Economic Substance Regulations (ESR), Common Reporting Standards (CRS) and introduction of VAT have not only imposed new reporting

requirements but also additional record retention to demonstrate compliance.

The ever-changing regulatory landscape poses a constant challenge to every business. The challenges are much more to startups, fintech, non-regulated and retail firms which normally do not have dedicated legal or compliance resources. Backed by decades of professional experience we have now launched Virtual Advisory Services. Businesses can now access our expert on demand for a competitive subscription fee.



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## IT Governance an integral part of GRC framework in Financial Sectors

It is said that by 2025, in contrast to today, there will be fundamental changes in the risk functions of the banking and financial sectors and we will see an immense change over the next four years compared to the last few decades.

This is not only due to technology advancements, but majorly driven by threats posed by the technology adoption at large scale and regulation pushed to protect the country and firm's interest caused due to cyber threats & inappropriate business practices. The risks today are not limited to any particular function or department and that is why we need enterprise wide IT Governance integrated to the risk and compliance framework.

### Efficient GRC policies: The center of the agenda for business growth

As part of growth objective, companies expanding through geographies, must comply with an emerging set of rules and regulations where every step towards

growth must be carefully assessed and reviewed to ensure compliance and mitigate risk. In an environment where we see different market standards in different geographies, having a static approach would limit the business viability and affect the profits. Inherently all business functions which run on IT-enabled solutions follow some sort of rules and regulations laid down by enterprise, and that sets the tone for bigger compliance at an industry level.

For most financial services and products, technology has become the catalyst and has pushed the fundamental need for protection & reliability, revealing the inherent risks to businesses and financial services customers. Though facing pressure from regulatory bodies and economic instability, the organization of banking and financial services is transforming the functions of risk and compliance by means of an enterprise-wide GRC framework. To monitor and safeguard secure information, an information security framework must be developed. After a cyberattack on banking and financial institutions, the possible harm is immense, it just takes seconds to

become a breaking news. The need for an integrated GRC has become a critical component of the business sustainability strategy as banks and financial service providers shift from core services such as insurance, accounting, credit, investment, and cash management services to non-banking environments, such as mobility services, business process outsourcing, health services, and stock management.

### A 360-degree approach towards governance risk & compliance can be best implemented by having holistic GRC policies in the business agenda.



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## Policies and Procedures - Benefits and Challenges

A policy is a statement that reflects the moral, ethical, and legal position of the organization in regards to a particular issue or activity.

Procedures are clear, practical steps to be followed consistently through the whole process in order to meet the policy statement.

### Benefits

Advantages from policies and procedures are enjoyed by all stakeholders including Owners, Managers and other employees

### Owners

- Provides an assurance that the day to day activities are in line with the basic objectives and principles of the business.
- Enables stability to business operations because business processes are system driven rather than being driven by individual personality.
- Improves consistency and predictability of business decisions.
- Maintains and benchmarks quality of products and services to the customer.
- Effective identification of responsibility and accountability.
- Facilitates internal controls and organizational governance.

### Management

- Enables decentralization of the decision making process for day to day routine repetitive and defined activities.

- It reduces the response time within and between different business processes.
- Facilitates change management.
- Helps in Benchmarking and performance measurement.
- Filter for identifying the deviations from standard norms.
- It serves as guidelines for development of application software.

### Employees

- Training made easier for new employees.
- They are able to achieve clarity of working procedure.
- Employees can take considered actions based on set rules.
- Employees are able to feel better accustomed to the job due to practicality of the procedures in place.
- Better communications due to clarity of issues and topics mentioned in the correspondences.
- Eliminates wasteful steps as procedures already takes care not to do illogical steps.
- Improves quality of work done by the employee thereby giving job satisfaction.

### Challenges

The challenges in documentation and implementation of the Policies and Procedures includes:

- Ignorance of unit management personnel.

- Fear of losing monopoly of information and process knowledge.
- Fear of having to change the present processes which have been adopted as matter of convenience.
- A self-induced conviction that the whole process may be a waste of time for the management
- Fear of failure in effective Change Management

### Conclusion

It is now time for all to have a new view of the operational style with new perspectives for business process implementation. Development of new aspirations like productivity and result driven practices and more enhanced view on long term survival instincts, the decision making process needs to take new roads in the growth forward in time. We believe that the policies and procedures need to be revisited in the limelight of the current changes in the social, commercial, and regional behavioral aspirations.



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## Protected together

The counter for COVID-19 related deaths continue to globally rise. Nations are grappling the situation in different ways while in the UAE with the efforts of Ministry of Health & Prevention we have an opportunity to become a responsible citizen.

We along with the many other organisations are promoting the vaccine as a corporate social responsibility,

because good governance has two major components: strategic direction and oversight. Senior management has ultimate responsibility for promoting and setting the example of ethical behavior (i.e., setting the tone at the top). They also have the responsibility for establishing and maintaining sound ethics-related objectives and programs.

Although the vaccine may not have a 100% protection rate, the underlying

principle is to feel protected and create an atmosphere of confidence. As internal auditors, we should understand this role of assurance, being our duty to drive efforts to periodically assess the elements of the ethical climate within the organisation.

Internal auditors therefore evaluate the ethical effectiveness of their organisation by:



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For more information  
Scan QR code below



## About Us

Crowe UAE provides audit, tax, advisory, risk, human capital, and intellectual property services with global reach and local expertise. We are an independent member of Crowe Global, the eighth largest accounting network in the world. With exceptional knowledge of the business environment, our professionals share are committed to building value for our clients and to deliver service excellence.

While placing great emphasis on establishing professional relations with each of our clients. This enables to work in an atmosphere of openness and trust. Our broad technical expertise and deep market knowledge means we are well placed to offer insight and pragmatic advice to all the organisations and individuals with whom we work. Close working relationships are at the heart of our effective service delivery.

