

عيد مبارك

Newsletter

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Message from the Managing Partner



Dear Friends,

The Oman economy is projected to grow by about 4.5 percent in 2022, benefiting from increased hydrocarbon production and continued recovery of non-hydrocarbon activities. This was disclosed by the International Monetary Fund concluding their recent visit to the Sultanate. "The economy is strengthening, and inflation has been contained so far. Real GDP grew by 3 percent in 2021, largely driven by the buoyant hydrocarbon sector", the Statement added.

It is heartening to note the comments by the IMF wherein they have loaded praises on the Omani authorities for undertaking substantial and well-coordinated vaccination efforts and policy actions to mitigate the impact of the COVID-19

pandemic and foster the recovery.

Yes indeed, the higher oil prices and fiscal consolidation have improved the fiscal and external positions. According to the IMF report, the fiscal balance is expected to improve to a surplus of 5.5 percent of GDP in 2022, owing to higher oil prices and continued consolidation under the authorities' Medium-Term Fiscal Plan (MTFP).

This is a highly remarkable recovery by the Sultanate who had been facing a hard time due to low oil prices, higher external debt and the Covid related slowdown in the economy. It is expected that the government debt will decline substantially from about 63 percent of GDP in 2021 to 45 percent of GDP in 2022.

"We Wish all our clients, well-wishers and friends a blessed Eid al Adha"

Best Regards

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Despite Headwinds the Economy is Looking Up



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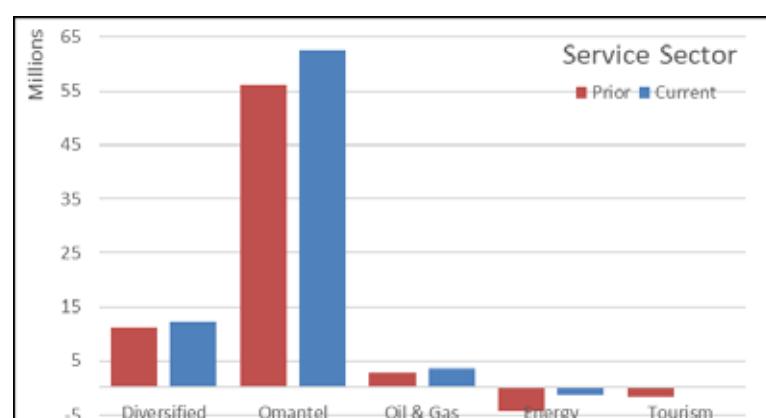
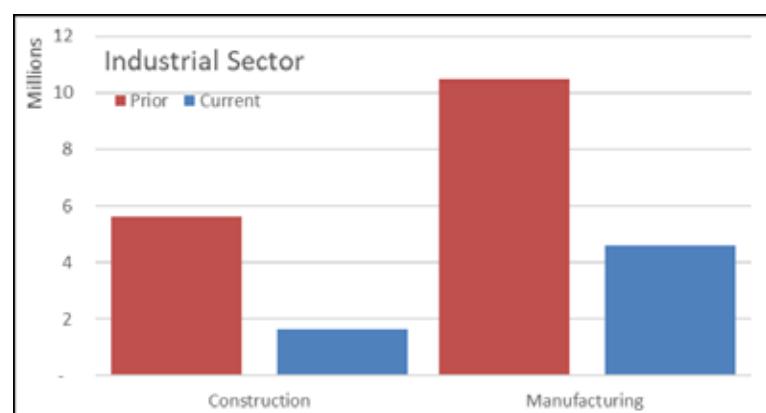
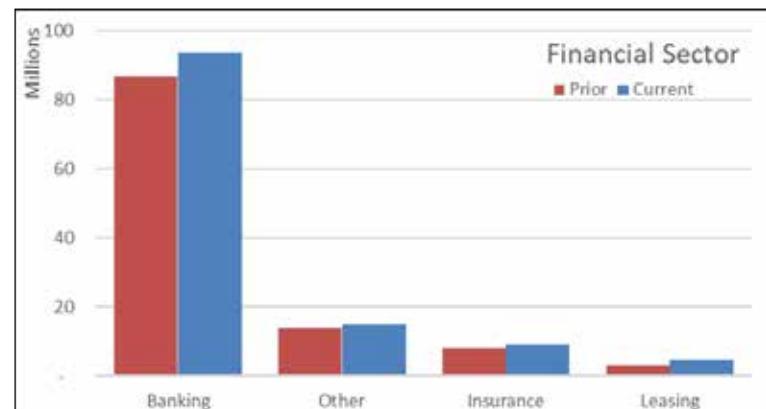
As we wave goodbye to two downbeat years of COVID, Oman SAOGs are now in positive territory, with a general improvement in Y-o-Y profitability, despite a few worrying sectors that are more directly impacted by the outbreak of war between Russia and the Ukraine, which is putting huge pressure on the supply side. With localized disasters/events now having such huge impacts throughout the world, we really do seem to be witnessing Edward Lorenz's chaos theory metaphorical argument that a butterfly flapping its wings can cause a hurricane.

In the financial sector, we see the banks and leasing companies have shrugged off the high ECL impairment charges of 2021 and, with asset portfolios that have remained high due to the lack of repayments (due in a big part to the CBO mandated loan deferrals arrangements), have been able to post increased profits this year. However, the remainder of 2022 will be a very critical year for the banks, as many customers are now exiting from the deferral programs and further loan restructures/deferrals will be made on more commercial grounds with their bankers. It is unlikely that they will all be successful. However, the banks have a canny way of making their good customers pay for their bad customers. Whilst the insurance companies are struggling to return to pre-COVID levels of profitability (as premium pricing in a smaller market is challenging), they have benefitted from increased values of their asset portfolios.

The Industrial sector, comprising of construction and manufacturing companies tells two separate stories. Activities in the construction sector are still at very low levels and two major companies (Galfar and Raysut Cement) have provided a drag on the sector with a combined RO 4.5m reduction in profitability. The story within the manufacturing sector, is primarily an external one. Many of the companies are struggling as they are unable to pass on the higher cost of imported raw materials and shipping to customers, either within Oman or in the overseas markets they export to. A situation that is only going to get worse, the longer the conflict between Russia and the Ukraine continues.

Finally, as we look at the Service sector, we can definitely observe the early shoots of recovery. Despite the entry of Vodafone to the local market, Omantel continues its dominance and Renaissance Services has led the way in the diversified sector. Within the oil and gas sector, we see the 3 petrol station owners showing

improvements as lockdowns and working from home become just memories. Although not a major sector for listed companies, the six hotels within the tourism sector have definitely turned the corner as tourists return and physical conventions start taking place, as we try and say goodbye to webinars. The energy sector is the most interesting. Overall, the companies reporting in both years have reduced their losses but missing from the list are ACWA Power, Al Kamel Power and United Power that have ceased operations following the introduction of the spot market for electricity.



Thank you to those that were able to attend the ESG / Climate Change event. With over 100 attendees and judging by the feedback received, it definitely met the objective of raising awareness and deepening understanding. It was also interesting to read some of the chats circulating on social media. Naturally, as we try to analyse the past data and make predictions of a very uncertain future, add to that the alphabet soup of acronyms and definitions, it is perfectly understandable to see opposing views. But so long as awareness and debate ensues, we seem to be finally moving in the right direction.

If anyone would like to discuss the matter in person, would like support with in-house training or would like assistance with the next step in their implementation journey of an effective ESG framework and development of external sustainability reporting then Crowe Oman, supported by our knowledgeable colleagues within the Crowe Global network, are only an email or call away.



The Impact of the COVID-19 Pandemic on The Development Sectors in The Sultanate



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The effects of the emerging Corona Virus (Covid-19) crisis have ravaged the development sectors in the Sultanate, and during this pandemic we have witnessed a decrease in consumer spending all over the world, as travel and the tourism sector in general have stopped, and the industry has slowed down due to restrictions imposed on movement, the obstruction of Economic activity through services, transportation, and shopping, and lower consumption led to lower demand.

New strategies

Companies and commercial establishments should seek to change their business model after the pandemic, by making their structure more agile and responsive to shocks, and changing the investment pattern by relying on rental equipment and machinery, as well as reducing the number of fixed employees in the organization and using external employees according to the task or assigning business to other companies (packaging and delivery example). The pandemic will also lead to the restructuring of supply chains in many countries to make them more stable and less prone to

disruption during crises.

The Sultanate's Stimulus Plan to Restore Economic Growth

The economic stimulus plan recently announced by the Sultanate was consistent with the directions of the tenth five-year development plan (2021-2025), which aims to focus on priority objectives concerned primarily with stimulating economic activity, and developing the macroeconomic environment through the development of appropriate mechanisms and procedures to ensure the speedy return of economic activities and guarantee Accelerating economic growth rates, expecting the economy to witness real growth of more than 2.5 percent against the background of this plan.

The government had approved an economic stimulus plan at a cabinet meeting chaired by His Majesty Sultan Haitham bin Tariq, in its quest to achieve high growth rates for Oman's 2040 vision.

The Most Prominent Incentives

The economic stimulus plan is based on 5 main axes, namely, incentives related to taxes and fees, incentives for improving

the business and investment environment, incentives to support small and medium enterprises, incentives for the labor market and employment, and banking incentives aimed at supporting efforts to mitigate the effects of the repercussions of the Covid-19 crisis on the economy from By presenting a set of incentive measures and initiatives aimed at supporting economic recovery efforts, enhancing the performance of economic activities and attracting foreign investments.

There are investment opportunities in several sectors with the readiness of the infrastructure in which the Sultanate has invested generously during the past 50 years, including airports, ports and roads, and the youth are qualified and able to lead the engine of productive development, and above that, Oman's relationship with the world is characterized by a high relationship, which allows it to attract Everything that it lacks in the economic equation, whether it is capital, opening markets or new technology, and the recent ministerial change and new government leaders are fully aware of the continuation of change and economic reform.

My Journey to ICAEW Membership



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"Experience enhances knowledge and leads to gain higher education"; a well-said quote which is indeed the foundation of the wonderful program under the MOU between ICAI and ICAEW, which gave opportunity to me to redirect the knowledge and the experience which I gained over the years' of my professional journey.

Joined as a member of ICAI in 2008, the second largest accounting body today, has always kept me in high spirits with the ethical values and the respect the profession carries. The Eagle pride always made me feel unbounded. ICAI with its robust network and high international achievements, opened several avenues for the benefit of the members. ICAI has entered into a number of MoU/MRA/Joint Declarations with many Foreign Bodies (https://www.icai.org/post.html?post_id=5617). The aim of such association is to work together to develop a mutually beneficial relationship for the best interest of ICAI members and the two respective organizations. Encouraged by ICAI's endeavour for mutual professional development, I aimed to join the membership of ICAEW, which is the largest accounting body today.

The ICAEW's Pathways to Membership program allows fully-qualified ICAI member to apply for ICAEW membership based on their experience. To be eligible to apply for ICAEW membership through

Pathways program, one must fully meet all six eligibility criteria;

1. One must be a current and fully qualified member holding full membership of professional accounting bodies like ICAI.
2. One must have at least five years of full membership of that professional body.
3. Membership gained through normal education and training route and not through any kind of reciprocal membership agreement or full or advanced credit/exemption arrangement.
4. As a fully qualified current member, one needs to be compliant with the continuing professional development (CPD) requirements of the said professional body.
5. One needs to be a member in good standing with a good disciplinary record without any outstanding complaints.
6. The application will need to be supported by an eligible sponsor, who holds current membership of a professional body that is a full IFAC member body and who knows the applicant, and who is in good standing, is compliant with the CPD requirements of that body and who has a good disciplinary record with no complaints outstanding against them.

As an experienced ICAI member, meeting my eligibility for the Pathways program, I first registered my interest in the Pathways program with ICAEW. Then, ICAEW started guiding me to prepare to write the examination.

Writing the exam questions was not an easy task. I had to demonstrate and portray my experience in each answer summarizing them in 500 words along-with the summary of employment enlisting the job responsibilities and achievements for last five years. It was challenging to express the professional work meticulously within the context of the exam question and cross-referencing them to the summary of employment. The Examination tested that the work done is original and plagiarism is not permitted. The task was interesting and time consuming. The variety of experience I had over the years, backed me to write the examination of experience application successfully.

Getting successful in my Pathways Examination, not only makes me feel proud of being invited for ICAEW membership, but would provide me with access to numerous benefits, including career development, access to a global network, and the opportunity to grow and gain new clients. I would definitely recommend this program to eligible candidates as it is a golden opportunity to be recognised as an ICAEW member and stand out in their professional career.

Tax Card Renewal

As per the Ministerial Decision number 27/2020 issued on 18 May 2020 regarding implementing the provisions relating to tax cards -The tax cards issued by the Tax Authority are valid for two years from the date of issuance, and on its expiry, the tax cards are deemed cancelled or invalid.

An online application for renewal of the tax card should be made within one month before the expiry of the tax card. The Tax payers must ensure that the Tax card is renewed atleast one month before the expiry.

IT IS TIME TO RENEW THE FIRST TAX CARD, the Tax Authority will not renew the Tax card if there is any non-compliance of Tax obligations/outstanding tax dues, at the time of renewal.

Information Security Maturity Assessment, Recommendations and Implementation Road Map as per CMA.

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Cyber Security threats exploit the increased complexity and connectivity of critical infrastructure systems, placing the nation's security, economy, and public safety and health at risk. Similar to financial and reputational risks, cybersecurity risk affects a company's bottom line. It can drive up costs and affect revenue. It can harm an organization's ability to innovate and to gain and maintain customers.

The MENA region has seen an increase in cyberattacks due to the adoption of digital technologies, such as the internet, IoT, and cloud, among others caused by economic diversification the recent years.

Information Security maturity assessments, risk mitigation plan, recommendation and implementation road map plan is very important based on the CMA guidelines to protect the Confidentiality, Integrity, and Availability of information and technology assets.

Capital Market Authority issued the circular no E/1/2022, to mandating the requirements to implement information security guidelines for public joint stock companies. The decision came on 5th January 2022

Public Joint Stock Companies shall amend their internal regulations and policies to be consistent with the information security guidelines maximum within (6) six months from the date of effect of this decision

Minimum Security Controls:

• Access Control Policy	• Information Security in Contracts
• Password Management	• Physical and Environment Security
• Log Management	• Personal Security
• Data Privacy	• Removable Media Protection
• Cryptography	• Incident Management
• Data Hosting	• Business Continuity and DR Plans

How can we help?

Crowe facilitate organization through its proven methodology as follows:

- o Current State Assessment (Gap Analysis)
- o Information Security Risk Profiling
- o Cyber Security Risk Profiling
- o Cyber Security Maturity Assessment
- o Recommendations and Roadmap
- o Set up PMO and CMA security guidelines Implementation

Crowe Information security health checkup leverages the CMA security guidelines recommendations by mapping to your organization's current risk management processes and procedures to determine your current information security profile risk levels and recommendations. Thus, get your organization to comply with local regulatory requirements.

Cyber Security Seminar

A seminar on cyber resilience and data risk management was hosted by Crowe Oman at the Park Inn Muscat. Last month. The seminar focused on how organizations must manage their vulnerabilities as effectively as possible and boost their cyber resilience to avoid potential attacks. Organizations need to build a robust risk protection framework that ensures sustainability and drive more business value for the organization. Businesses have to learn, how Digital risk management powered by Governance, Data Security, Data Privacy and Artificial Intelligence can help the organizations streamline their business processes, improve efficiency, gain better insights from data and also identify & remediate threats quickly. The seminar was attended by IT departmental heads of major corporates and government institutions in Oman.





Changing Dynamics of Internal Audit and Risk Management in the Post-Covid Era

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Covid19 Pandemic brought unprecedented changes on how the organisations and departments function across the industries and countries. The Crisis disrupted the normal operating procedures across the functions, including the Internal Audit and Risk Management functions, and many of these changes will prevail and would change the dynamics of the functions in the long run.

Some of the strategic changes that we expect to continue includes the following:

(a) Increased agility: While agile auditing has begun to enter the mainstream audit, a large number of the companies, audit committees continued to deploy times-based and function-based audit methodologies and the flexibility to move away from the pre-determined audit plans were highly restricted. During Covid time, audit functions, and Companies in general were exposed to unexpected changes in the risk faced, risk appetites and priorities. Continuous awareness, real time capture of information and ongoing monitoring of trends became more important than ever before. Focus on value addition, monitoring the risk movements, quick response, evaluation and efficient communication was required and this was facilitated by adapting to agile auditing methodologies.

(b) Remote auditing: While remote audits

were already in place and several companies across the sectors were employing the same, key audit areas were widely performed in person (Face to Face). Covid crisis resulted in increased dependence on remote auditing, not only from a perspective of audit reviews, but also in the form of remote monitoring and continuous auditing. This also required bringing changes towards audit strategies, approaches, assessments techniques and the view of professional scepticism. Further, remote auditing techniques also promoted providing increased attention and importance towards the review of distant operations which were earlier ignored due to their physical remoteness.

(c) Technological advancements: Significant advancements were required technologically to be able to audit during the Covid times. Audit functions had to deploy a wide array of tools or use their existing but unaware capabilities to extend the role of technology, from documenting audit reports or sample selection, to much further; including advanced data analytics, trends monitoring, resource management and beyond. Another reason for the increased use of technology was the requirement to focus on key, high risk areas and increased precision in sample

selection due to the physical limitations of reviewing large number of files and instances unlike before. This also included significant investment and usage of GRC tools.

(d) Dynamic risk assessments: Risk Assessments earlier used to consider limited parameters including impact and likelihood of risk, this model proved less effective due to the drastic speed of changes and priorities during the Crisis. This led to dynamic risk assessments by inclusion of additional parameters such as speed at which the risks can impact the objectives, relationship between different risks that have been identified, tracing the behaviour of risk on its own and as a group, etc. The dynamic risk assessments models also had to be aligned with a flexible audit plan to achieve the maximum benefits and achievement of audit objectives.

While the Covid-19 pandemic destabilised the economies and the fundamental ways the businesses' function, it also led to advancement of technology and identifying criticality of functions across the organisations. Internal audit and risk management functions reproved its importance in identifying and preventing key risks from affecting the business objectives and the key role that it can play as a change manager and change-advocate in the industry.

Our New Resources



Hajar has experience in the field of external and internal audit in various industries, including trading, automotive, oil & gas and petrochemical industries. She also has experience in accounting in the oil and gas sector specifically in relation to projects. Hajar holds a degree in financial accounting from the University of Virginia's Darden School of Business.



Rhea is an ACCA Affiliate and part qualified CMA (US), having an experience of over a year with the Big 5 firms in the field of Audit & Assurance. She has performed the audit of companies in the Banking, Manufacturing and Oil & Gas industries. She will be assisting the External Audit team of Crowe Oman.

Always deliver
more than
expected
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Invest in Oman

(Conference at The Oberoi Hotel Mumbai)



Davis Kallukaran, Managing Partner attended the Invest in Oman Meet at the Oberoi hotel in Mumbai last month. A Business delegation from Oman Consisting of Prominent Omani business groups attended the meet along with the Indian Investors. The Oman delegation was headed by The Minister of Commerce,

industry and Investment promotion of Oman, H E Qais Al Yousef. The Chairman of OCCI H E Redha Al Saleh and Consul General of Oman Sulaiman Lashkaran Al Zadjali also attended the event at the Oberoi along with Other Oman Government officials. The meeting also highlighted the establishment of Indo Gulf and the Middle

East Chamber of Commerce incorporated in India as a not for profit organization for exploring and developing trade and services between India and the MiddleEast countries. Mr Davis is the Founder Director of INMECC. The Chairman of INMECC, Dr Sharafudeen and the General Secretary Dr Suresh Madhusudhanan were also present at the meeting.

ESG Seminar with special focus on Climate Change & Sustainability:

We believe that everybody in the world has a responsibility to be more environmentally conscious, especially business owners. It's a conscious decision to move sustainability and innovation together.

Resolving the world's climate change challenges, is something we all need to contribute to for the sake of our children and grandchildren after them. Recently the Central bank of Oman had issued a circular on mandatory compliance by banks with climate change reporting and sustainability. The capital Market Authority and the Muscat Stock exchange have also

issued statements calling for voluntary disclosures by the listed entities in Oman. To bring more awareness in the business community, Crowe Oman hosted a seminar on ESG (Environmental, Social and Governance), under the patronage of H E Dr Nasser Al Mawali, undersecretary at the Ministry of Economy. Crowe Global's Head of ESG and partner from Spain, Mr. Luis Piacenza was the lead faculty at the seminar with Varghese Kallukaran Senior Consultant Strategy from Crowe UAE engaging the session on Social impact. Karl Jackson Partner Audit and Assurance, initiated the discussions.



About us

Crowe Global is ranked among the top 10 global accounting networks with more than 35,000 professionals and people in over 130 countries around the world. Crowe Global's member firms are committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide decisions daily. Each firm is well established as a leader in its national business community and is staffed by nationals, thereby providing a knowledge of local laws and customs which is important to clients undertaking new ventures or expanding into other countries. Crowe member firms are known for their personal service to privately and publicly held businesses in all sectors and have built an international reputation in the areas of audit, tax and advisory services.



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