Gateway to Success

ENTRY REQUIREMENTS:

- 50% marks in Intermediate
- A level with two passes

- Practical Training of 3.5 years during studies
- Earn while learning through Stipend

111-000-422  www.icap.org.pk  /ICAP.CA
Rewarding Global Career Opportunities for Internal Auditors, Chartered Accountants and Compliance & Regulatory Professionals

Join Oasis expanding investment business as a senior financial accountant, internal auditor or compliance & regulatory officer and advance your career globally. Oasis is a progressive, innovative and committed asset and wealth management company that operates across multiple jurisdictions in a regulated, automated and digital environment. The company is known for its distinct value and service offering, its excellence in product and its deep and broad expertise as well as its commitment to offering its people opportunities that showcase their capabilities and skill through the collaborative, inclusive and team orientated environment.

Description of the Roles

Chartered Accountant
Oasis Accounting and Finance division incorporates the disciplines of Business Finance, Corporate Accounting, Treasury, Regulatory Reporting and Accounting Operations across multiple jurisdictions and specialist businesses. Reporting directly to the Chief Financial Officer and the Chief Executive Officer, the incumbent will need to possess exceptional technical, analytical, consolidation and reporting abilities coupled with sound business acumen, excellent communication skills and the ability to work independently and integrate seamlessly within teams as required. The position will require management of the entire global accounting and finance framework for the business and experience within a multi-currency and multi-jurisdictional accounting and finance environment will be a distinct advantage.

Compliance & Regulatory Officer
Oasis’ Compliance & Regulatory Department incorporates, amongst others, the discipline of Regulatory Compliance which ensures adherence to Regulatory and other internal or external reporting requirements. Develops, initiates and maintains policies and procedures of the Compliance program and related activities. Reporting to the Chief Regulatory Officer, the incumbent will need to possess exceptional technical and analytical abilities, and experience within a regulatory environment/ business e.g. Mutual Funds or Financial Institutions will be given preference to. Candidates who have experience / and or qualifications in Islamic Finance will also be preferred.

Internal Auditor
Oasis’ Regulatory Department incorporates, amongst others, the discipline of Internal Audit which provides reliable, value added and independent assurance to management and other stakeholders over the effectiveness of controls, mitigating current and evolving risk, and ensures cultures of control in all processes. Reporting to the Chief Regulatory Officer, the position will require management of the entire global internal audit framework for the business and experience in a multi currency, multi-jurisdictional internal audit environment will be a distinct advantage.

The candidates will manage and form part of a focused team based at Oasis’ office in Cape Town and will need to travel to similar operations offices from time to time to fulfill functional, project and management requirements. This is a complex but rewarding opportunity for a specialised professional who strives for excellence, thrives on challenges and is determined to grow and advance his/her career.

Remuneration
Competitive market related packages and a system of continuous reward for excellence.

Your submission is to be accompanied by a cover note that confirms submission of all required documents. All submissions are to reach Oasis by 31 October 2016
www.oasiscrescent.com
The Council
President: Nadeem Yousuf Adil, FCA
Vice Presidents: Khalilullah Shaikh, FCA
Nazir Ahmad Chaudhri, FCA
Members: Farrukh Rehman, FCA
Khalilullah Shaikh, ACA
M. Sharif Tabani, FCA
Mohammad Maqbool, FCA
Naeem Akhtar Sheikh, FCA
Nazir Ahmad Chaudhri, FCA
Rashid Ibrahim, FCA
Riaz A. Rehman Chamdia, FCA
Sarmad Ahmad Khan, FCA
Syed Najmul Hussain, FCA
Usman Ghani Akbani, FCA
Yacoob Suttar, FCA

Government Nominees: Dr. Waqar Masood Khan
Mohammad Abdullah Yusuf, FCA
Muhammad Zafar-Ul-Haq Hijazi
Tariq Bajwa

Publications Committee
Chairman: Yacoob Suttar, FCA
Members: Aamir Waheed Ahmed, FCA
Abdul Qadir, ACA
Ammara Ahmad, ACA
Farha Wajid, ACA
Hina Shamsi, ACA
Muhammad Amir Afzal Rana, ACA
Naseer Ahmed, ACA
Obaid-Ur-Rehman, ACA
Walid Latif, ACA

Officiating Secretary: Masood Akhtar, FCA
Executive Directors: Masood Akhtar, FCA
Farzana Munaf, ACA

Editorial Team
Executive Editor: Samina Iqbal
samina.iqbal@icap.org.pk
Publication Co-Ordinators: Asad Shahzad
asad.shahzad@icap.org.pk
Afshan Aleem
afshan.aleem@icap.org.pk
Malik M. Shoaib Arif
malik.shoaib@icap.org.pk

Editorial Office: Chartered Accountants Avenue
Clifton, Karachi-75600 (Pakistan).
Ph: 99251648, 9925 1636-39
Email: publications@icap.org.pk Website: www.icap.org.pk

The views expressed are those of the writers and do not reflect
The Institute of Chartered Accountants of Pakistan.
All submissions received will be edited for clarity and space.
Fast Food Industry Preventive Measures against Fraud/Theft by Employees
Muhammad Shahzad Hussain

Performance Appraisal
Adil Farooq Qureshi

ANNUAL ICAP CFO ‘16
CONFERENCE MIDDLE EAST
September 28, 2016
Atlantis, The Palm, Dubai

Smart Strategy
Transition from Survival to Significance
Ammar Murtaza

Taxation
Transaction Tax History – An Efficient Tool in Contrast to Orthodox Tax Models & Next Possible Options
Muhammad Imran

Business and Finance
Finance Business Partnership – Challenges in Implementation
Abdul Aziz Abdul Qadir Lang

Management
Outsourcing – A Sustainable Business Model
Muhammad Junaid Shekha

Generation Next
The Next Generation Office
Jim Boomer

If only every family business was a fairy tale!
Asher Noor

Performance Appraisal
Adil Farooq Qureshi

SPECIAL COVERAGE

Should you compromise your values while building your career?

Join the Discourse

Smart Strategy
Transition from Survival to Significance
Ammar Murtaza

Taxation
Transaction Tax History – An Efficient Tool in Contrast to Orthodox Tax Models & Next Possible Options
Muhammad Imran

Business and Finance
Finance Business Partnership – Challenges in Implementation
Abdul Aziz Abdul Qadir Lang

Management
Outsourcing – A Sustainable Business Model
Muhammad Junaid Shekha

Generation Next
The Next Generation Office
Jim Boomer
Placing suitable employee at the leading executive position is critical for boards and chief executives who need to ensure their organisations sustainability in today’s changing business environment. The business is revolutionising due to technological advancement, growing expectations of the customers, and changing regulatory requirements. To win the game, organisations need to identify and develop high potential executive individuals that can recognise and grab strategic opportunities in constantly changing business environment.

Transformations require energy and strategic thinking. Organisations cannot settle for incremental enhancement; they must undergo performance transformations periodically to spotlight success. As the organisation focuses at the strategic priorities, it also develops and looks for potential employees who have the depth, capacity and knowledge to deliver on priorities as possible successors.

In order to lead effectively, organisations will need to reconsider how they develop executive leadership. Today, high performing team of versatile professionals are required who bring a diverse set of skills, capabilities and can come together as high-performing, integrated team to anticipate and capitalise on fluctuations in the business environment.

For organisations, the time for succession planning is now. Organisations’ boards and CEOs should crystalise their visions strategically, identify strength of their current executives and leadership, and develop a procedure to drive the ongoing assessment and development of potential executive’s capabilities that will deliver results in future and help the organisation to reach at the top. In order to have robust succession plans, organisations should devise, sustainable, fundamental, effective leadership succession planning and build an environment that helps develop a constant stream of high potential future leaders allowing long-term business success for the organisations.

Yacoob Suttar
Succession planning is an effective tool to support organisational governance structures, prepare for executive turnover in an arranged and thoughtful manner, evaluate internal resource requirements, decreases attrition of the work force caused by job switching high-performers and train qualified candidates for appointment to senior management positions. However, despite the growing importance of succession planning, only a few companies properly plan for succession.

Organising career pathways for fresh recruits and employees is a very useful way to guarantee longevity and growth within the firm. Management, by incorporating and designing a succession plan, is investing in the entity's future leadership.

Companies/firms that fail to plan successfully for executive positions retirement and staff turnover will lose a critical segment of their knowledge staff and also incur a significant amount of money on fresh recruitments and training efforts to replace lost employees.

Defining successful career path and succession planning provides potential employees with the tools they need to meet the needs and expectations of the growing future challenges. With integrated succession planning process, companies ensure that high-potential employees are encouraged and promoted into the company’s executive positions.

To meet the mounting challenges, companies/firms should establish succession planning with corporate culture to make sure the executives of the organisation echoes company values; include a multi-tiered team of professionals to strategically design, refine and implement the succession planning procedures; adopt key leadership measures and deliver an exceptional development process to aid the executive cadre meet requirements for progression; screen employees to classify high potentials and competently allocate development resources; measure the outcomes of the succession planning procedure for employees and the companies to ensure development goals align with strategic goals.

Transition, succession, exit or replacement — the long-term planning process for business, is a journey that starts with the determination to envision the business future.

Nadeem Yousuf Adil
Succession Planning: KEY to Success

by: Asad Ali

Human resource, the most precious asset an organisation can have, with their untiring efforts can turn barren soil into gold. A single intelligent idea can change the fate of the organisation, economy or even the economies across the globe. Today’s technological advancement has awed our minds, but the mind behind that advancement never stops to awe for the past many centuries. To achieve this, you have to have the right quality at the right time throughout the organisation.

Easier said than done, being so valuable, human resource often cost heavy investment and due care to make it a perfect match for the organisation’s vision. Like any good investment, once matured, will give you high returns. But will make you vulnerable at the same time whether you will be able to maintain the benchmark or not. Quality is scarce in supply, especially in this cut throat economic environment making it viable to avail new lucrative opportunities and left behind a competency gap hard to fill by.
Concept

To cater to the problem, the concept of succession planning was evolved to have the right people, in the right place at the right time. It ensures that the organisation will continue to move on without sacrificing its vision. Succession planning can more formally be defined as: “The attempt to plan for the right number and quality of managers and key-skilled employees to cover retirement, death, serious illness or promotion, and any new positions which may be created in future organisation plans.” – Sally Sambrook

Reasons for Succession Planning

- Alignment of vision: It provides alignment between organisation and human resource vision to effectively achieve strategic plans.
- Continuity of operations: It ensures organisation is equipped with plan of providing quality and uninterrupted services even in the absence of key leadership or when they leave.
- Establishing a talent pool: It confirms the unending stream of qualified, motivated people, who are ready to make the transition.
- Refined corporate planning.
- Avoidance of financial and business loss.
- Avoidance of human capital loss.
- Retention of competitive edge and business goodwill.

Key Elements for Effective Succession Planning

Succession Planning identifies essential competencies and works to assess, develop, and retain a talent pool of employees in order to ensure a chain of leaders in reserve for all critical positions.

As per matter of fact, organisations do vary in size, design and structure, succession planning should be flexible and adaptable enough to get absorbed in the organisational system easily to achieve its objectives. Its key elements are:

- Aligned with the overall business strategy.
- Driven from the top: Senior executives are best placed to review business plans and identify future skills required for the upcoming projects and operations.
- A coordinated effort to ensure ownership over the process.
- Linked to broader HR processes: Includes performance management, compensation, recognition, recruitment and retention and workforce management.
- Cultivating soft skills: Communication, negotiation, presentation and time management become increasingly important for employees as they progress from junior to senior level in their career.
- Follow up: Plan needs to be reviewed regularly to identify gaps in established targets and current performance. Corrective actions must be taken to achieve set targets.
Succession Planning Process

Generally, succession planning activities can be enlisted into following steps:

**Step 1: Identify Key Positions**
Succession Planning identifies necessary competencies of key positions that have a significant impact on the organisation. Criteria for key positions may include:
- Positions that require specialised job skills or expertise.
- Top level leadership positions.
- Positions that are considered ‘mission-critical’ to the organisation.

**Step 2: Build Job Profiles for Each Key Position**
Determine the key performance indicators of the position and how proficient the position holder would need to be. This can be done by conducting job analysis or during the performance appraisal. Information about a specific position should be gathered on the basis of knowledge, skills, abilities and which attributes an employee must hold to perform efficiently.

**Step 3: Competency Gap Analysis**
- Using the job profile of competencies, determine the tool required to gather data on current employee competencies for the key positions.
- Analyse the difference between current employee’s competencies and future needs.
- Document findings for development opportunities.

**Step 4: Development Opportunities**
- Assess the abilities and career interests of employees.
- Candidates should demonstrate high potential or ability that will enable them to achieve success at a higher level within the organisation. Preferably, the list of possible replacements should be stored in a database so that the organisation can easily track candidates.

**Step 5: Individual Development Plans**
- Design a plan for each candidate: Developmental plans should be available for candidates and then incorporated into their performance management plans. Plans may include identifying career paths for highly potential candidates and others who have the interest and ability to grow.
- Provide development opportunities: This can be accomplished through job assignments, training, or job rotation, and it is one of the best ways for employees to gain additional knowledge and skills.

**Step 6: Maintain Skills Inventory**
- Continuous monitoring of skills, identification of gaps and development of plans to cover the deficits are required.
- Keep the record of current and future needs and maintain it for both individual and group development.
Challenges

Some challenges to succession planning are:

- **Size of the Organisation:** Some organisations have limited positions causing the dearth of advancement opportunities, which restrict the potential employees to grow up to next level remaining in the same organisation and result in switching over to other organisations.

- **Lack of financial resources:** Employees may leave for better salaries and benefits offered in other workplaces.

- **Staff recruited for some specific project often seen not to be counted as the part of talent pool of the organisation.**

- **In some cases, senior leaders are still found on their positions, despite the fact that their skill set doesn’t meet the modern requirements of the position which is making them less meaningful and productive towards the target and organisation.**

- **Indiscriminate inclusion of employees in the succession plan including those who are disinterested, unmotivated or lack capability to advance.**

- **Inadequate training and development resulting in an employee who is not prepared for a promotion.**

- **A plan that does not promote people in time will lead the potential successors to leave the organisation to seek new opportunities.**

- **Poor communication resulting in confusion within the organisation.**

- **Potential candidates for promotion cannot be guaranteed that they will be promoted.**

Crux

In today’s rapidly changing business climate, it’s more critical to have competent leadership and a diverse talent pool across the organisation to take new initiatives and maintain a competitive edge. Succession planning not only ensures the business is well planned to achieve its goals as well as fill critical vacancies in time and avoid unexpected extra costs.

Once a succession plan has been established, monitoring its efficiency and effectiveness against the set target will be essential. The board and the executive management are responsible for ensuring the effective implementation and standard review of the succession plan at regular intervals. After each review, all changes must be recalibrated in the final document and should be communicated to the individuals responsible.

Succession plan will be a unique reflection of your organisation, it will reinforce and perpetuate your core values and ensure the future success of your organisation.

References:

Exploring succession planning in small, growing firms by Sally Sambrook; Effective Succession Planning by Anthony Perrenoud; Competency-Based Succession Planning by CPS human resource service; GE Capital: Succession or Failure; http://www.mondaq.com; and http://hrcouncil.ca
Succession Planning: A Road to Prepare Future Leaders for an Organisation

by: Muhammad Sadiq Ismail
At well-organised workplaces, when any employee (especially at an executive level) quits, retires, or is dismissed, replacements are chosen through succession and defined rosters – a continuous process of identifying and grooming people to replace outgoing staff. Succession planning is linked to leadership development in two ways. First, grooming a successor is a part of leadership development. Second, the process of choosing and fostering a successor is part of a manager’s own development.

There are hundreds and hundreds of books and articles on succession planning. Almost every book on leadership and management talks about succession planning – the importance and benefit of it, how it should be done, what happens if it is not done, and issues related to its implementation. A few magazines also are published on supporting topics such as mentoring, talent management, and lessons learned. There are several organisations with the sole purpose of helping others in succession planning and indeed there is no dearth of information on succession planning.

Hence, in the following lines, I mainly focus on how to bring critical thinking in succession planning in the organisations with Kaizen culture (Japanese term used for continuous improvement) and success factors to retain talent in organisations and building leaders.

“An organisation that is constantly exploring new horizons is likely to have a competitive advantage in attracting and retaining people.”

Despite being important, succession planning is lacking in organisations today. It is the tool for success and growing internal leadership, but the fact is, this tool seems mostly underutilised.
Succession Planning – Key to Success in Kaizen Culture

Employee engagement is a critical determinant in the success of a culture of continuous improvement. A successful Kaizen culture relies on the active participation of every person at every level of the organisation in improving their work. The culture of bringing Kaizen in succession planning may lead to the following benefits:

1. Employees are engaged at high level for their succession training, which translates into more engagement in continuous improvement in efforts which leads to a greater overall impact.

2. In organisations following Kaizen approach, leaders may keep an eye on improving the organisation. Employees get assessed during evaluation for Kaizen’s implementation and rise to the top of the organisation by proving themselves as a perfect successor for challenging roles.

3. The Kaizen knowledge and experience that employees value in their current leadership becomes part of the organisational knowledge base when they provide professional development to their peers, so they’re prepared to drive continuous improvement in the organisation.

Growing tomorrow’s talent today: A Critical Road to Build Leaders

The biggest challenge faced by business organisations is “continuous change.” Technological advances, aggressive legal reforms, new rules and regulations and increasing regulatory and reporting demands are critical issues for every CEO and his/her team. Despite what some may believe, succession planning isn’t just for executives. It is a documented plan for management succession at all levels in the organisation. In simple terms, it is the development of a backup plan and a potential successor to each management team member. The process requires determining actions to address a future need before that need arises, and often it’s just not on the radar — yet it’s critical to every organisation’s future success and continued momentum. However, despite being important, succession planning is lacking in organisations today. It is the tool for success and growing internal leadership, but the fact is, this tool seems mostly underutilised.

Finding time to develop formal succession plans can be a challenge for board members and senior managers, but it belongs at the top of the priority list. It has to be an organisation wide effort, which needs to be a program hardwired into the culture, supported by the board, the CEO and the entire organisation. Succession planning requires a system in place to identify and develop top talent through mentoring, education and strategically placing potential leaders in new roles to enhance their skill sets. Among other things, management should develop a timeline for employees’ succession. It’s also important to routinely assess the organisation’s position in the marketplace, as well as its future business needs, to help determine the attributes and skill sets needed for future leaders. To meet this end, it is necessary to adopt two primary succession strategies:

- Extensive use of recruitment and retention flexibilities for non-supervisory and other staff in order to identify, recruit, and retain high-potential candidates who are in the talent pipeline for leadership positions.

- Use of a full range of structured Leadership Development Programs to ensure that current and future leaders have the necessary skills to manage the workforce effectively, exercise leadership continuity, and sustain a learning environment that drives continuous performance improvement.

Succession Planning in Practice

To start the succession planning conversation, board members need to ask senior managers two questions:

- How is the management identifying and developing top leaders?

- What is the organisation doing now to assess and develop the skill sets that will be needed in the future?
“The first step out of the gate has to be knowing where you want to end up. What do you really want from your organisation and what are you expecting from your talent pool in future?”

Following are few additional considerations that need to be taken into account in context of specific organisation type:

- Who are your high potential individuals?
- Where are they in the organisation and how are they being managed?
- Which of your high potential individuals have an increasing risk of leaving you?
- Which succession plan (among the available choices) has the greatest risk of failing to deliver?
- Is the organisation able to provide succession plan for critical positions or for high risk individuals that are likely to leave or retire in the next 12-24 months?
- Have you identified a potential successor/substitute of individual (in the form of list), who is willing to and capable of taking the challenges in new roles?

Can leadership be taught?

There is only so much that assessments, training and coaching can do to help form strong managers and leaders. Ask most leaders how they learned to lead and they’ll likely tell you it was through their own experience on the job. We learn by taking risks, making mistakes, and following our instinct. So a good management and succession planning program should also supply opportunities for real experience and pair budding leaders with appropriate role models who can support them.

Succession planning success factors:

A successful succession plan may address organisations’ needs and save organisations from future unexpected losses. Key success factors for succession plan cannot be counted in numbers from one or two, but various factors – from involvement of top leaders in developing a succession plan to commitment of each employee to his/her own self-development – may help a company to ensure that an effective succession-planning process is in place. These practices protect the interests of board members, employees, shareholders and other constituents, and also give everyone confidence in the company’s long-term prospects. At a glance, the success factors are given here in the picture:

What could go wrong?

Absence of defined succession plan may result in:

- Lack of leadership.
- Operational risk due to loss of key staff, knowledge, skills and experience.
- Loss of competitive advantage as critical staff leave and are not replaced quickly.
- Increased cost of recruiting to fill a position with external candidates; the cost of replacing an individual role can be many times of their annual salary.
- Increased cost of on boarding, training and orientation and opportunity cost incurred during probation period.
- Lack of employees motivation due to lack of clear development plans.
CA
PAKISTAN
Signature Qualification
that Empowers to Lead

The Pakistan Accountant
July - September 2016
A Story of Failure – Disney

There are a lot of success stories, where an organisation over shines its projected growth due to proper planning (including succession plan) and smooth transition of leadership. However, below I am sharing a story of a failure due to an ineffective succession plan. This teaches us that not only developing a succession plan is enough, but also considering all principles to make it effective and efficient in worst scenarios is also inevitable.

Learning from Disney’s Staggering CEO Succession Failure
(source: Forbes, Fortune magazines)

There are important lessons to be had from how Disney managed the failed Chief Executive Officer (CEO) succession from Robert Iger to Thomas Staggs. They did a lot right like planning ahead and building Staggs’ strengths. However, they did not do a good job of managing the transition.

As reported in April 2016, “Disney revealed that Chief Operating Officer (COO) Thomas Staggs would be stepping down from his current position in May 2016. Staggs, 55, was widely expected to lead Disney after CEO Bob Iger’s retirement in 2018.”

In the case under discussion, Disney did a good job of planning ahead, putting Staggs into the COO role three years before Iger’s retirement date. However, Disney did not manage this well. Commitment breeds confidence. Disney has one of the best ever examples of motivating employees. Yet, they never committed to Staggs’ becoming CEO. From the very beginning they “made it clear that his elevation to COO was not a coronation.”

Later former Fox film chair Peter Chernin also refused the position and it left a big question mark on successor’s name.

Hence, from the above story of Disney, there are important lessons to be learnt from how Disney managed the failed CEO succession from Robert Iger to Staggs, though they did a lot right like planning ahead and building Stagg’s strengths. Yet they did not do a good job of managing the transition. Commitment breeds confidence. Disney’s lingering questions about Staggs led to Staggs having lingering questions about Disney and ultimately a failed transition.

Learn from Disney. Plan ahead. Build strengths. Manage the transition. And have a contingency plan ready.

Conclusion:

Last but not the least, succession planning protect organisations by assuring a smooth transition from one leader to the next. And it can benefit your own career, when you’re moving up the ladder or into a new meaty challenge of a job. After all, how often have you heard about someone getting a new position as soon as a successor was identified and trained?

To climb the career ladder, there’s no better recommendation than preparing your organisation by having a successor in place. It shows maturity and confidence when you’re not afraid of welcoming someone to replace you. Likewise, succession planning can produce future allies—such as the team members you mentor and train. One potential downside: If you’re obviously grooming a successor, those who were not chosen might be resentful or discouraged. To minimise this from happening, tell team members how they can improve their skills to be selected the next time around, and maybe even why the person was selected (more experience is simply hard to argue with).
Unique challenges of succession planning in government institutions

by: Waqas Latif
Top government executives are paid much less than their private-sector counterparts, making retaining high caliber employees problematic at senior levels.

**Introduction**

Never in recent history has the need for having outstanding leaders at top positions in government institutions and agencies been more critical than it is in a present day. Now, government machinery continuously needs high caliber leaders at top to deliver to high-pressure situations amidst ever changing national and global landscape. But, the question is, how governmental institutions can ensure availability of talented individuals at top all the time? The answer lies in having a robust succession planning framework especially for top positions which would ensure availability of quality people at top who not only think creatively and strategise effectively but also respond with speed and competence to meet high expectations from public offices in a modern day world.

There cannot be a no second opinion that managing in the public sector is altogether a different ball game from managing in the world of business. Infact, the environments in which government managers operate can actually make it more difficult to succeed. However, it can be argued that although environment is challenging but it does not mean government institutions become complacent and not opt for measures which could potentially solve leadership crisis for top level positions.

So basically, this article discusses some of the unique challenges of succession planning in government agencies and institutions in Pakistan along with some suggestions on succession planning framework.
Unique Challenges of Succession Planning

Government institutions and agencies face a unique set of challenges as compared to their counterparts in business world where major drivers of agreed practices and policies are based on premise of increasing shareholders value. But, in government institutions, the challenges are unique and all the principles and practices of business world may not be easily applied. Some of the unique challenges that these institutions face are outlined below:

Frequent and Abrupt Changes
There are often frequent and abrupt changes especially in top positions in government institutions, although there are hundreds of reasons for such abrupt changes but hardly any of them is based on merit or suitability.

Strong Civil Service Rules and Employee Protections
The fact that public employees have stronger job protections due to civil service rules and presence of unions, infact, even in nonunion organisations, than in private-sector, makes it more difficult to deal with poor performers and restricting their career progression and similarly to allow for good talent to grow and progress with rapid pace.

Political Interference
Often government institutions face political interference even in procedural matters and decisions. This not only distorts growth and grooming of quality individuals but also creates leadership crisis when top positions are occupied by politically backed people who only try to protect political interest and ultimately institutions and public at large suffers.

Lengthy Career Paths
Although a lengthy career path with variety of long tenure roles creates a well-qualified individual, but it results in too small of a population of leaders and a slow path to the top level. The long path to the top also establishes a pool of top leadership talent with a significantly limited number of years before retirement eligibility than a more rapid and streamlined career path would create.

Low Salary and Perquisites
Top government executives are paid much less than their private-sector counterparts, making retaining high caliber employees problematic at senior levels.

Succession Planning Framework

In government agencies and institutions, succession planning mostly relies on traditional methods with seniority being primary factor without regard to suitability or other competencies which barely provides quality replacements for top positions. Infact, the gap between those in senior positions and those prepared to move into them is so wide that our institutions faces leadership crisis after every replacement situation. The government agencies must recognise this and accordingly must respond to this dilemma.

So, a robust succession planning framework is the need of the day. Based on modern literature on human resource management a succession planning framework can be implemented based on following:

Service Needs of Public
Amidst contemporary national and global challenges, it’s high time for government institutions and agencies to identify current and future service needs of public at large. The expectations of public from public office holders at government agencies are not the same as was a decade ago. With revolution in technology and ever changing national and global landscape, the public wants immediate and quality response to situations, so it is important to identify service needs of public as a first step for a succession planning process.

Skill Set and Competence
The business world has realised that at top positions, the skillset and
competence needs has changed drastically to previously perceived skillset and competence requirements. Now, besides conventional area expertise, leaders in business organisations also possess IT skills, inter and intra personal skills and visionary thinking. The same skill set and competence must be included in list of competence and skill set for government institutions managers as well.

**Selection Criteria and Bench Strength Assessment**

Assessing strength of potential replacements is the most important element of any succession planning framework. This also has special relevance with respect to Pakistan where most of the appointments are made considering political affiliations and allegiance without any relevance to competence and suitability. The interference from political government must be stopped at all cost for any succession planning framework to work and must be purely based on merit.

**Gap Analysis**

The next step is to perform gap analysis of required and present competence and skill set so that appropriate development programs can be formulated. This step would also help in formulating hiring policies as gaps in hired and required skill set and competence will also be highlighted.

**Design Development Programs and Policies**

Development programs can take a variety of forms; it may be high potential programs or job rotation programs or others. Although, public sector does have these kind of programs implemented, but the issue is, either these are not implemented as part of a framework or selection of candidates for these programs are not purely based on merit and suitability. Therefore, the results of these programs are not encouraging.

**Implement and Monitor Framework**

Designing a robust framework is half of the work, implementing and monitoring is the rest of it. There will be no use of even state of art framework if it is not implemented and monitored in true spirit.

**Conclusion**

It is famously said that “without strong political leaders, there are no strong nations” and undoubtedly strong leaders needs strong government institutions headed by strong people. Not surprisingly, the public sector lags behind in addressing replacement crisis issue primarily due to absence of succession planning framework.

In days to come, the successful government agencies and departments will be those that recognise the importance of succession planning framework and implement it. The availability of quality individuals, particularly leaders, will be the single most strongest contributing factor which will enable these institutions to achieve their goals and meet high expectations.

Like in business world, government institutions also need to establish a business oriented and systematic leadership talent review and replacement process. And time is running out, succession planning can no longer be an option to explore in future or delayed further. It is a pressing issue that demands prompt response from our senior government leaders and lawmakers alike.
Minimise the Odds of Corporate Suicide with Succession Planning

by: Muhammad Asad Mirza
Once up on a time, there was a company run by a self-made Chief Executive Officer (CEO), who struggled hard to build an entire empire. He had everything he could have wished for. His business was gaining momentum with each passing second. And then one day, happened the unexpected. He got a heart attack while on his way to a business meeting and passed out immediately. Since there was no successor who would have taken control of the business after him, it took two long months for the stakeholders to take hold of the business again and start over from scratch. However, it was too late already. The losses incurred due to delayed decision making were shocking and the competitors got an ideal opportunity to take the lead.

The situation would have been completely otherwise had there been an heir who would have inherited all the knowledge, expertise and leadership style from the deceased. Alas!

This is just one scenario that forces us all to think about the contingencies. No one wants their hard-earned business to go down the drain even if they are not anymore. So, why not have a fool-proof contingency plan for a prosperous tomorrow of your family, employees and all those depending on your business to earn a living?

Whether you plan your successor formally or informally, the process is known as Succession Planning. The plan streamlines the transition process in any organisation in case any key player leaves. From the CEO to a skilled worker, there can be successors for any resource deemed to be an integral part of the corporate hierarchy and can play a crucial role in mitigating the risks of corporate suicide.

How Is Succession Planning Affecting the Modern World?

Though the concept and importance of succession planning is not new for the business fraternity, however, most businesses tend to turn a blind eye to this important issue. In return, they get chaos, delays, losses and immediate hiring of resources which are often not competent enough or ready to take up the responsibilities. The irony is that even the examples of doomed businesses from yesteryears have not yet fully encouraged the modern world to draft necessary survival strategies.

According to a survey by the National Association of Corporate Directors (NACD), ‘two thirds of private and public companies in the U.S. admit that they have no formal CEO succession plan in place.’

Unfortunately, the same survey states that those who said their company has a successor in line for a CEO, only one third of them seemed satisfied with the decision.

The situation is even worse in this part of the world where, mostly, corporations are barely implementing the policies and procedures, let alone plan a formal replacement of a CEO or any other resource. On the other hand, if an employee gets to know that someone is ready to take their place, they get offended and the business suffers again. The question here is how to prepare and implement a smooth transition plan that not only banks on senior employees’ experience but also prepares a competitive substitute. In order to answer this question, we have to understand a few things first i.e. which businesses need succession planning, how this planning is done and the importance of appointing a successor for minimising losses and disruptions.

Which Businesses Need Succession Planning?

Lately, the corporate giants such as Pepsi Co., International Business Machines (IBM) and General Electric (GE) have impressed the
market with their C level (senior management with ‘chief’ titles such as CEO, CFO, COO etc.) succession plans, which have eventually strengthened their market positions.

While some large organisations are already seriously preparing heirs of key personnel with structured succession planning, small and medium-sized companies sometimes choose to ignore it altogether. However, the reality is that they need it as much as their giant counterparts.

Similarly, it is seen that family businesses that do not prepare an heir in the next generation beforehand are more likely to suffer. A recent study suggests that only 35% of family businesses survive after the first generation. Only 20% of these businesses are transferred to the next generations and the rest of them are lost in the sands of time.

Then there are businesses that are already implementing the informal succession plans for key roles. For example, if Mr. A is the most highlighted player on Mr. B’s team, it is implied that former will succeed later if the second person leaves or gets a promotion.

To sum it up, all businesses, irrespective of their nature and size, need succession planning to keep running without any disturbance.

**Organisational Succession Planning – A Quick Overview**

Succession planning is a continuous and time-consuming leadership development process that needs diligent mentoring, coaching, analysing and revisions for you to reap advantages in the end. However, bear in mind that this precision is worth all your time and money at the end of the day.

Structured succession planning is a multiyear process in which organisations identify the best possible resource who can take up a major key position in the years to come. Though there are many ways to nominate a successor, the two most practical directions for a CEO succession are:

1. Appoint two deputy CEOs to the current one and rotate them in all departments where they will look after the key leadership roles. The one who does justice to the given roles will qualify to be the next CEO.
2. Give additional responsibilities to the head of Operations by making him deputy CEO. Meanwhile, he will be acting as the head of his department as well while working closely with the current CEO to replace him later.

Succession planning is a continuous and time-consuming leadership development process that needs diligent mentoring, coaching, analysing and revisions to reap advantages in the end.

In both the situations, whenever the key position is vacant, a successor will be ready to take over. The same can be practiced in preparing any key position replacement.
Many organisations may take different approaches to draft and implement the plan based on their priorities and organisational structure. However, the main steps that are involved in preparing a backup plan are as under:

**Step 1: Identify Key Positions**
- They are mostly C level executives, senior management or staff with some specialised skill which is hard to replace
- Ask yourself which positions are critical for the smooth operation of the business

**Step 2: Determine the Required Skills**
- This can be done by identifying the qualities that a current incumbent has and then matching them with the prerequisites to analyse if all or some would be required by the next in line

**Step 3: Find Potential Successors**
- Identify the best candidate with similar skill set having a proven track record

**Step 4: Involve Management**
- Involve leaders and managers from across the organisation to help you connect with gems who are doing extremely well and can be promoted to a better position in the near future

**Step 5: Talent Development**
- Commit to continuous talent management and strictly monitor their performance for they are the ones who will be leading your company soon

**Step 6: Review Regularly**
- Keep your succession plan updated and review the nominated successors’ performance periodically. This will give you a fair idea of how successful your plan is so far.
- Make necessary changes if required

**Criteria for Evaluating the Right Candidate for Succession Planning**

The criteria are largely dependent on the long term industry and organisational goals for over the next five to ten years and can be revised as the trend and challenges change. For example, a CEO hired during recession will be majorly assessed on how well he can control the expenses (i.e. austerity measures), however, the similar position will be held by someone who had a good exposure of expanding the business nationally and internationally when the economy is growing at a decent rate.

The following are three main criteria that should be considered when finalising a candidate:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Knowledge</strong></td>
<td>Technical know-how</td>
</tr>
<tr>
<td><strong>2. Leadership Skills</strong></td>
<td>Ability to implement strategies</td>
</tr>
<tr>
<td><strong>3. Personal Attributes</strong></td>
<td>Values</td>
</tr>
</tbody>
</table>
Impacts of Succession Planning on a Business

Succession planning is more than just a mere plan. In fact, it requires a systematic approach which is timely and up to date. The need of the hour is to treat nominating a successor as an uninterrupted process instead of a reactive event where potential candidates may not have enough time to improve themselves and a misfit can take over the job, eventually damaging the company’s reputation for not having qualified management. In the long run, the advantages of succession planning outweigh its disadvantages.

Advantages of Succession Planning

Not only do employers benefit from succession planning, employees also seem contemplated with the management’s decision. Here are some rationales as to why should a company opt for succession planning:

Advantages for employees:

- The self-respect, morale and self-esteem of the ‘nominees’ automatically boost once they are formally declared heir to a key position, hence directly accelerating their performance and commitment.
- There is ample time for the next in line to hone skills, develop technical know-how and inspire team mates. Hence, making them hands-on resource whenever the need arises.
- Working closely with someone who a successor will be replacing after a certain time assures that they have a career plan for which they will be acquiring the required knowledge and qualification.
- Once an employee is declared an asset for the company and this news is shared with rest of the colleagues, there are high chances of them being selected to fill in any role that matches their skills set.

Advantages for employers:

- Your employees will continue to achieve the desired goals, carry forward company’s vision and mission even if any key employee is unable to continue the job with the company.
- As you expand your business, you need key employees who understand your business and have an in depth knowledge of the operations. This saves you a lot of time in hiring a new resource and training them afresh.
- When you have trained staff on hand, you are able to bring about a significant change in the organisational structure or even re-design it for a better outcome because you know that someone will cover up for any immediate firing or promotion.
- This decade has marked the retirement of baby boomers who once ruled the world. It is our golden chance to benefit from more than thirty years of experience these veterans have before it is too late.
- To sum it all up, we should treat human capital as a priceless asset because it is people that is running the enterprise. They work day and night for its effective functioning and take the company to great heights. However, we also should also realise that they reserve the chance to move on for a better future or an unfortunate event can take them away from us. Whatever happens, the work should not get affected and stopped. No matter how senior a person is, there must be someone to take charge after his/her departure and who this person will be, can only be decided by Succession Plan. So, do it today.
Planning is Critical to Accounting Firm Success
by Paul McDonald

The focus of succession planning has traditionally been the top of the organisational chart, as that’s where most of the major business decisions are made. However, the loss of a staff member at any level can have ramifications in terms of productivity, workflow and customer service.

Have you ever thanked someone for a job well done by saying, “I don’t know what we’d do without you”? Well, in a well-run public accounting firm, managers do know what they’d do if an employee left the team. They have succession plans in place. Creating contingencies for the replacement of staff members — be they Baby Boomers leaving for retirement or workers heading to another role — is essential to the long term success of your firm. That’s why it should never be left to chance.
Not Just for the C-suite

In a recent Robert Half Management Resources survey, only 10 percent of accounting and finance professionals said someone at their organisation could easily take over their job if they quit, while 50 percent said the company would need to make a new hire. That finding should give employers pause. When it takes an average of four to five weeks to fill an open accounting position, that’s at least a month of being short staffed. So what steps can you take to ensure stability and continuity in your firm?

A Winning Succession Planning Strategy

The New Year is an ideal time to review and update your succession plan. Here are some actions you can take in the next few months:

- **Prepare a strategy for every position:** Every employee plays a role in the firm’s success, so include all staff members when creating your succession plans. Consider what knowledge and skills you would lose if each person left tomorrow and how you would fill that role.

Be creative in your thinking. For example, instead of merely shuffling around employees, might it be better to divide one job among two or three accountants? Another possibility is to have a worker take on half of the duties and bring in a skilled financial consultant or temporary professional to handle the rest as you search for a full-time replacement. This person-by-person succession planning will take time and thought for you and other managers, but the peace of mind it affords is well worth the effort. When you do lose someone, as inevitably happens, your firm won’t be thrown into a panic.

- **Lay the groundwork:** Succession planning is not just about what happens after someone leaves. Managers must also have an ongoing commitment to leadership training and other forms of professional development. Once you’ve formulated your plans, consider what coaching and preparation would be successors need. This strategy nicely complements the career path conversations you should be having with each team member.

- **Recruit for the future:** When hiring, take a long-term perspective. Remember, you’re not just filling a position, but also preparing for the firm’s future success.

When you’re recruiting recent graduates and other entry-level accountants as well. Generation Z employees expect to progress quickly in their jobs and are attracted to employers that demonstrate a commitment to career pathing, according to recent research from Robert Half and Enactus.

- **Create opportunities to shine:** Sometimes it’s difficult for future leaders to realise their full potential — and for you to recognise it — if...
Sometimes it’s difficult for future leaders to realise their full potential — and for you to recognise it — if they don’t have a chance to show what they are capable of. To find those diamonds in the rough, open up project based leadership roles to your entire staff. And don’t be afraid to approach promising candidates. For those who are a little shy, a nudge from management may be what they need to build up their confidence, tackle a new challenge and become a polished leader. What’s more, by seeing how employees perform in real world situations, you’ll have a chance to test the feasibility of your succession planning.

Losing a key person can be a blow to any public accounting firm, but the effects can be mitigated if you anticipate and prepare. So take a fresh look at your succession planning efforts, and make sure you’re ready for whatever challenges the New Year holds.

Courtesy: Used with the permission of International Federation of Accountants (IFAC) Global Knowledge Gateway: www.ifac.org/Gateway
If only every family business was a fairy tale!

by: Asher Noor
Once upon a time there was a King (who just like King Lear) had a succession planning issue. Well, despite bumbling up the entire process, at least King Lear was receptive to the idea of retirement. The King in our story was a long way off from contemplating retirement of any sort. And to be fair to him, once you meet the second generation, you might actually have some sympathy for him.

The heir apparent to the throne aka the ‘Family Business’ was a sincere yet weak Fredo like the one in *The Godfather* novel, followed by a Romeo wanting to wed a Juliet of the neighbouring warring kingdom. To round off the second generation options was the typical Princess Jasmine who was head over heels in love with Aladdin, the commoner.

For the purpose of this story, we’ll ignore the cousin consortium that could have come into play — that ruled elsewhere — but might have been open to the idea of merging. But given their incompatible past, however, that would have been a messy genogram!

The trusted advisor in this story is the Grand Vizier, who despite being a non-family member, usually got into a triangulation situation when the King and Queen had disagreements regarding affairs of the state – disagreements that needed conflict resolution therapy.

With such a sorry second generation in the offing, it was difficult to broach the subject of succession planning with the King. He wanted nothing to do with it. Succession planning to him was akin to planning his own funeral.
If one looked around, the Grand Vizier was the obvious choice to lead the kingdom in the changing and testing times. But as a non-family member, he failed the test for rules for entry into the family business. The rules was unwritten and unspoken but could be easily invoked to the family patriarch’s advantage whenever required. They were very flexible rules but the flexibility was largely directed towards those with the right surname for whom the door was always open!

The Queen and the kids wanted nothing to do with the family business of running the kingdom and everything to do with ensuring that its largesse never stopped. They all considered themselves free spirits, and the King had known this very early on. But instead of this free spirit orientation causing him to put in measures to ensure a more professional management take over, he decided to live forever, and thus succession was not a topic up for consideration.

But then something happened. While on a visit to a faraway land for a hunting expedition with fellow Kingdom Kings, he heard some of his peers talk excitedly about the newest thing on the block. They were having family business advisors come in and provide estate and succession planning advice. Our King initially thought, “Bah! What can they tell me about my own business? I have been doing it long before they were conceived.” But then the more he listened to his peers, the more inadequate and ill prepared he started to feel. And thus, just like that, he resolved to get a family business advisor for himself as well.

Once back, he immediately summoned the Grand Vizier and ordered that the best family business advisor in the Kingdom should be hired as soon as possible. The Grand Vizier suggested that hiring a family business advisor is a slow and steady process where factors such as expertise, compatibility, references, track record and network of the advisor comes into play as well.

Furthermore, he suggested that taking some of the stakeholders on board in this decision before the advisor walked in for the first time, would be a good idea. While the Grand Vizier was saying all the right things, his advice had the

Fiction is a great place to start finding answers for real life dilemmas.
opposite effect. It sullied the King’s excitement, made him realise that this was serious work and a lot of thought is needed before looking for outside help. And then days turned to months and seasons changed. Years went by and the enthusiasm that the King had shown upon his return from the hunting trip many years back had simply extinguished.

The next twist in the tale comes when the stroke struck. It temporarily incapacitated him but finally made him realise that what he had been putting on the backburner all along was now staring him in the eyes and could no longer be ignored.

After talking to a few shortlisted advisors, Sir Knight got the royal nod. He brought with him three circles and as a first step, tried to explain the concept of how family, business and ownership form and overlap in the three circles of family business. Since this presented almost seven types of stakeholders in the family business, the King was greatly perturbed.

Meanwhile, the Grand Vizier understood where Sir Knight was coming from but, despite having the ear of the King, there were topics he himself deemed too hot to broach. He felt the outside family business advisor stood a much better chance in helping the King see the stakes and the issues at stake.

The next thing Sir Knight talked about was documenting the mission, values and vision for the Kingdom that the King postulated. The King himself was amazed when they were discussed and documented for the first time. It actually helped get him a fresh perspective.

A more careful review of the stakeholders revealed that nepotism was rampant, sibling rivalry was at play, the governance model was broken, scapegoating was common and paternalistic feelings were clouding many a judgments.

Sir Knight took stock of all of these moving parts and decided that to best way forward would be to call a family meeting. The King had created a family council a few years back, but it had never really met officially — yet ironically the members saw each other at the dinner table every night.

It took Sir Knight some three years of going back and forth, all the time earning the trust of the family members, before he was able to steer the family business to a structure that ensured that it could be put on autopilot from a legal and governance aspect. He did this by bringing in a board of advisors, skilled professionals for various operating divisions, independent directors and dismantling the shackles of homeostasis, brick by brick.

Thanks to the efforts of the Sir Knight over the years, when the King passed away peacefully in his sleep, the documented governance mechanism, trust structures and letter of wishes, etc. were already in place. The transition was smooth. The beneficiaries got what they wanted (without the headache of administering it), which was an annuity-like return, and the Grand Vizier became the next King despite not having the right surname and led the Kingdom to even greater heights.

I think fiction is a great place to start finding answers for real life dilemmas.
If you are working in a company which has invested in training people how to appraise, you must count yourself lucky.

Performance appraisal is about reviewing past performance, rewarding or correcting it, goal setting for future, development need analysis, job rotation, growth and career planning. It is synonymous with review, evaluation, measurement, assessment, rating, etc. An employee’s appraisal system may be considered one of the indicators of the quality of human resource management in an organisation. Properly designed process of employees’ appraisal is not only the necessary basis of successful employee performance management but also provides valuable information for other human resource management functions such as validation of recruitment decisions, promotions and transfers, right sizing, etc.

Performance appraisal system is needed because every employee has a different attitude to handle the work. Performance appraisal tends to improve the work performance, communicate expectations, determine employee potential and aid employee counselling. However, the application of process does not guarantee these benefits. In case the process is not implemented correctly, it may result in demotivation, distrust, disengagement and friction among employees. And the whole process of performance evaluation becomes complicated as it is usually linked to incentives (bonuses and increments).

There are two types of measures used in performance appraisal: **Objective measures** which are directly quantifiable and **Subjective measures** which are not directly quantifiable. Objective measures are the recommended way of going forward because they discourage discretion.

Performance appraisal can be broadly classified into two categories: **Traditional Methods** and **Modern Methods**. Many of the traditional techniques that were used in the past are not used now, like ranking, critical incident, narrative essays, graphic scales, etc. The modern mechanisms include management by objectives, assessment centers, behaviourally anchored rating scale, human resource accounting, 360 degree and 720 degree, balanced scorecard, forced distribution methods, etc.
A gist of modern methods referenced above is produced below for ready reference:

Management by Objectives (MBO): Employees are evaluated on how well they accomplished a specific set of objectives that have been determined critical in the successful completion of the job.

Behaviorally Anchored Rating Scale (BARS): The supervisor rates employees according to items on a numerical scale. It is a combination of elements from critical incident and graphic rating scale approaches (traditional methods).

Human Resource Accounting: The people are valuable resources of an organisation. Information on investment and value of human resource is useful for decision making in the organisation.

Assessment Centers: Employees are evaluated over a period of time, say one or three days, by observing their behaviours across a series of selected exercises or work samples.

360 Degree: It relies on the input of an employee’s superior, colleagues, subordinates, sometimes customers and suppliers.

720 Degree: 360-degree appraisal method is practiced twice. When 360-degree appraisal is done, then the performance of the employee is evaluated and having a good feedback mechanism, the boss sits down with the employee again a second time and gives feedback and tips on achieving the set targets.

Balanced Scorecard: It is a strategy implementation and monitoring framework that combines the conflicting financial, customer, internal process and learning and growth objectives to form an integrated strategy map, measurement metrics, targets and initiatives to achieve them which can also be used for performance assessment.

Forced Distribution: Bell curve system, rates the entire workforce by comparing the performance of those engaged in similar activity. The employees are segregated as top, medium and poor performers. The percentile varies with company policy.

We might hate bell curve for its forced ranking of majority into medium and some of the employees into poor performer categories but we need to understand that performance appraisal is never absolute, unless you are the only person working in an organisation. The relativity of the process lends itself to automatic ranking among employees. However, one hurdle that the appraiser might face is the limited number of persons performing a particular activity in an enterprise so that there is no comparative. This can be overcome through efficient objective setting which we’ll discuss in the coming paragraphs.

All of us would agree that one aspect common to all evaluation techniques is the discussion, agreement, setting and communication of targets, their measurement methods and monitoring frequency. Therefore, I believe that directly or indirectly, MBO forms the basis of all appraisal schemes.

A common deficiency in appraisal systems is that the evaluators seldom receive training on how to conduct effective evaluations. As a result, neither the appraisal process is effectively applied, nor are efficient successors of supervisors ready to take up the inconvenient task of evaluations and feedback. The appraisers, must be trained, rather in detail, regarding all aspects of the process, including but not limited to, how to give and receive appropriate feedback, how to be transparent about it, how to translate expectations into objectives, how to set

An employee’s appraisal system may be considered one of the indicators of the quality of human resource management in an organisation.

The focus should be on ‘how things ought to be’ rather than ‘how things have been or were.’
comparable smart objectives, how to turn the target setting and monitoring process an exciting one, how to avoid the common pitfalls like halo/horn, leniency/strictness, central/recent behaviour tendency, other stereotyping. The training should be an ongoing process to be imparted to all appraisers in phases in order to ensure accuracy and consistency.

The targets or objectives, for each and every employee should be SMART (S: Specific, M: Measureable, A: Achievable, R: Relevant – Responsible, T: Timely), established by the concerned employee and thoroughly discussed and agreed with the supervisor. Like all strategy setting processes, this process is the most crucial step, which is normally usually overlooked. It is generally observed that senior management does not think twice about the objectives that are being set nor provide or gather feedback during the period. However, once the appraisal period is over and evaluations commence, the C-level executives become actively involved in rating assessments of middle and junior management employees which is rather unpromising since they were not interactive with the person during the review period. Then, how can they now judge that employee. Hence, I suggest active involvement of next level supervisor as well during the objective setting process, their integration among teams, alignment with overall strategy and feedback.

The targets should include both technical and soft skills, quantifying where possible the quantity and quality of various aspects of objectives including the core values of business environment i.e., ethics, integrity, attitude and commitment to mission. This should be applied consistently across the board to all employees to ensure fairness and transparency. The focus should be on ‘how things ought to be’ rather than ‘how things have been or were’.

The objectives must identify all the activities, appropriately weigh them and include the support to be offered by the employee to other members of the team for achievement of others’ objectives. These targets would be communicated among the teams to better understand each other’s responsibilities and help attain the targets more efficiently.

One thing more important than the objectives themselves is the metrics (measurement criteria) which would be used to measure the level of achievement. These metrics should be clearly defined along with the objectives and properly understood both by the employee and supervisor to avoid any ambiguity later. The appraisal process should strictly adhere to these established parameters which would include what is expected normal performance under that objective and how would it be under or exceedingly achieved. The evaluations must not be based or cascaded upon seniority or ranks among the team.

Objectives once set should only be changed if there is any change in job responsibilities and the change should allow sufficient time before being measured or appraised. The review and feedback process should not wait for the period end or assigned frequency to initiate itself, rather should be continuous and form part of day to day affairs, be on the spot to clearly articulate the required performances under various situations.

The preferable categorisation of appraisal scale is outstanding, good (exceed objectives), average (meet objectives), poor (below objectives) and unsatisfactory (needs improvement). Care must be exercised not to link these categories with expectations of supervisor performance appraisal system is needed because every employee has a different attitude to handle the work.
since that is why objectives are set: to translate the expectations into targets. The expectation factor allows not only discretion but also fosters bias and subjectivity which hurts the very roots of this process.

Let’s consider some examples of two employees performing similar activities with the same supervisor and having matching objectives. Do you think that the expectations of the supervisor would change if the two employees had contradictory attitudes towards work? Do you think that same would be the case if the qualification, age, sex, color or background of the two employees was different? Obviously, the answer would be yes. Despite the same objectives, the expectation gap would manifest distrust and demotivation among these team members and their supervisor.

The evaluation process may ultimately lead to financial incentives in the form of monthly increments, annual bonuses or other ex-gratia payments. However, there is a risk that they are so closely tied up that the persons involved in the process focus on the monetary impact rather than performance measurement.

The appraisal process may be varied, and may have their pros and cons or their suitability and feasibility for organisations depending upon size, nature, operations, etc. However, whatever the technique you employ, if the appraiser is not righteous, ethical, transparent, and open to feedback and two way communication, even an excellent appraisal method would render poor results and consequentially have a demotivating impact on employees’ performances and lead to uncertainty and conflict. Therefore, all levels in the organisation should receive continuous development regarding how to appraise, evaluate, set objectives, give and receive proper feedback, identify opportunities to appreciate, etc.

Have you seen an organisation which has listed the development of subordinates as an objective for each supervisor? Along with improving processes, it is high time for us to start turning our attention to developing people in the true sense which would also entail delegation. For that purpose, organisations should make development of their workforce an integral part of their mission and ongoing targets and list ‘how good an appraiser and developer a person is’ as part of that person’s evaluation. The importance of objective and measurement metrics setting processes cannot be overemphasized and the human resource departments must play their role in these areas for guiding and ensuring consistency and uniformity across all areas rather than just acting as post offices.
The Institute of Chartered Accountants of Pakistan (ICAP) organised its annual CFO Conference Middle East in collaboration with the International Federation of Accountants (IFAC) at Atlantis, The Palm, Dubai on September 28, 2016.

Attended by more than 600 finance and business professionals from Gulf Cooperation Council (GCC) and Pakistan, the conference brought together leading finance executives, industry experts and global thought leaders to discuss the current pertinent issues facing the profession. The focus of this year's conference was on Embracing Disruption: Governance & Strategy and the evolving role of a chief financial officer (CFO). Experts noted that agility and adaptability are going to be an important key for CFOs in the coming years, as they work on adding value to businesses.

The president of ICAP Nadeem Yousuf Adil in his opening remarks welcomed the participants and thanked H.H. Sheikh Nahyan Bin Mubarak Al Nahyan, cabinet member and minister of Culture and Knowledge Development for gracing the occasion. He also thanked Pakistan’s ambassador to the UAE Moazzam Ahmad Khan, IFAC deputy president Rachel Grimes and her team for attending the conference. He also thanked ICAP UAE Chapter Committee members, especially the president of the UAE Chapters Khalid Mahmood, for their contribution in organising the conference.

Nadeem Yousuf Adil appreciated the efforts of Yacoob Suttar, past president of ICAP for his initiative to bring the brand of ICAP CFO Conference to UAE. He stated that CFO Conference was a flagship event of the Institute and provided an excellent platform for sharing knowledge and experience among the finance professionals especially from the Industry. He highlighted the very affective role being played by ICAP members in industry and profession throughout the GCC countries. He further stated that ICAP members have become an integral part of the UAE industry and that ICAP was determined to support them in their endeavours. He added that this conference is providing a forum to our committed financial leaders from across the globe to deliberate and learn from current leaders the emerging challenges of the profession, the developing business and management concepts, theories and models and also share their experiences of emerging scenarios in their respective jurisdictions.

"The main point highlighted today is that the role of a chief financial officer has evolved in recent years. A CFO today has to be very close to the business; he needs to work very closely with the chief executive officer of the organisation and work on several key issues and trends that are affecting the business. The CFO has to be aware about almost all the matters relating to the company today so that he can help the business become more sustainable," said Nadeem Yousuf Adil. "The challenge that we had in mind, when we started these conferences was to prepare our CFOs to take on the different roles that they would have to be playing in today's working environment. We have come a long way in making CFOs aware of the challenges that they will be facing in their ever evolving role today," he said.

Rachel Grimes, deputy president International Federation of Accountants (IFAC), the International Keynote speaker for the evening, took the stage on developments in the emerging world of finance and technology. She said that accountants were invaluable to any economy due to their professional competence, add value to businesses, safeguard public interests, all the while recognising the need for globalisation.

"We have little choice but to embrace disruptions today," he said. "We must understand the disruption and create working strategies for it. Good governments have to be accountable to society. We must earn the trust and confidence of society by governing them in a fair and honest manner. Accountants must practice their profession with the highest international standards. Also, this is an excellent opportunity for us to celebrate the strong relations between the UAE and Pakistan."

"The CFO has to be aware about almost all the matters relating to the company today so that he can help the business become more sustainable. We have come a long way in making CFOs aware of the challenges that they will be facing in their ever evolving role today."

Sheikh Nahyan bin Mubarak Al Nahyan, in his Keynote address, said that chartered accountants in the region share with their colleagues around the world a professional standard that compels them to achieve excellence and professional competence, add value to businesseses, safeguard public interests, all the while recognising the need for globalisation.

H.H. Sheikh Nahyan Bin Mubarak Al Nahyan, appreciated the services of ICAP. He reiterated the role of the technical knowledge, quality and service of the Pakistani chartered accountants serving in different organisations and countries. He also mentioned the brotherly relationship the two countries United Arab Emirates and Pakistan share.

There were four panel discussions in the Conference: Accessing Finance – Avenues, Challenges, Opportunities and Trends; Disruptive Technologies – How to shape finance function that has the competence, agility, technological ability and
depth to support strategic progress; Corporate Governance – The expanding role of the CFO in governance, risk and compliance; and Integrated Reporting, global evolution of corporate reporting – from historical performance to a holistic and integrated story of value creation.

The panel discussion on Accessing Finance – Avenues, Challenges, Opportunities and Trends was with Peter Tavener, CFO Beehive UAE, Babar Ali Malik, head of Marketing, Al Hail ORIX Finance PSC, Muhammad Farooq, GM Group Treasury, Al Batha Group, Aly Aji, director Corporate and Investment Banking, Citibank UAE as panelists. The panel discussion was moderated Shabbir Barkat Ali.

A very interesting panel discussion on Disruptive Technologies – How to shape finance function that has the competence, agility, technological ability and depth to support strategic progress was held between Paul Urquhart, general manager Finance, Australia Post, Sanjay Rughani, CEO, Standard Chartered Bank, Tanzania, Imran Badami, client service executive, IBM, Asher Noor, group CFO & CIO, AlTouq Group, Saudi Arabia, Hammad Khan, CFO, National Takaful Company, Watania, Syed Moinuddin, director Finance, GEO TV Network. The panel discussion was moderated by Rachel Grimes, deputy president, International Federation of Accountants (IFAC).

“We have little choice but to embrace disruptions today. We must understand the disruption and create working strategies for it. Accountants must practice their profession with the highest international standards.”

Shaikh Nahyan bin Mubarak Al Nahyan

IFAC. The panel was moderated by Charles Tilley, chairman, IFAC Professional Accountants in Business (PAIB) Committee.

Charles Tilley also gave a speech on Finance professionals delivering value to business and public sector.

After lunch, top motivational speaker of UAE, Dave Crane took the stage and engaged the audience on how to Reinvent your mindset, extend your parameters and create greater health, wealth and happiness. He shared the 10 rules of success with the audience and shared how to overpower one’s strengths over weaknesses. He also involved the audience in certain physical activities.

A hot topic in the GCC, Value Added Tax - Implications of VAT in UAE, was also addressed by Nick Giannopoulos, director Indirect Tax, PricewaterhouseCoopers. His presentation was helpful in clearing misunderstandings on the subject.

Khalid Mahmood, president UAE Chapter, delivered a vote of thanks and the conference concluded on an appreciative note with the participants looking forward to the next CFO Conference to enrich their experience.

The master of ceremony for the conference was Rania Ali, an English/Arabic bilingual TV presenter, and the event was organised by event partner Simfotix Dubai.

ICAP also hosted the IFAC PAIB Committee meetings in Dubai on September 29 and 30.

ICAP has been holding annual CFO conferences in Karachi and Lahore successfully for the last six years; and since last year ICAP has been organising its CFO Conference Middle East in Dubai, which has the largest concentration of ICAP members in the region.

“We are living in a world where the capital structures are changing,” said Asher Noor, group CFO and CIO of AlTouq Group Saudi Arabia. “The world of finance is going to be completely different five years from now, and so will the role of a CFO. Disruption used to happen on a generational basis; today it can happen on a quarterly basis. This is all thanks to the evolution of breakthrough technologies. Technology has been a great enabler, and will continue to be so in the coming years.”
ICAP Hosts IFAC PAIB Committee Meeting in Dubai

The CFO Conference was followed by International Federation of Accountants (IFAC) Professional Accountants in Business (PAIB) Committee meeting, hosted by ICAP for two full days, September 29 & 30, 2016 at Atlantis, the Palm – Dubai.
Fraud

Fast Food Industry
Preventive Measures against Fraud/Theft by Employees

by Muhammad Shahzad Hussain
Fraud occurs in almost every industry, however, the frequency and magnitude of fraud varies based on the nature of the industry and the preventive and detective controls put in place by management.

Fraud can be orchestrated by an individual customer, employee, supplier, banker, an unrelated person or by collusion between the above-mentioned parties. There are industries which are more prone to fraud in comparison to others, due to the nature of their business (for instance, the retail industry where the majority of sales are in cash, is inherently risky) and then there are companies which are more susceptible to fraud than others (companies which have grown quickly and without proper planning and internal controls).

The restaurant business in general and the fast food industry in particular, are more vulnerable to fraud and embezzlement by its employees, than other industries, as they are exposed to the same risks as the retail industry, in addition to certain risks specific to the fast food industry, such as:

- **Cash Sales:** Sales in the fast food industry are mainly on cash basis and the likelihood of cash being misappropriated, in comparison to other assets, is very high.
- **Lack of Segregation of Duties:** In the fast food industry, segregation of duties between billing, cash collection and cash deposit is often lacking. These duties generally lie with a single person who is also responsible for cash/sales reconciliation and day end reporting.
- **Decentralised Inventory Management:** Due to practicality, controls over inventory management at the fast food outlets (restaurants) are not as strong they should be in an ideal world. Example of situations where practicality has its say in applying controls:
  - Central store cannot be set up for 100% items as quite sizable number of stock items are perishable and it will neither be practical or cost effective for these items to first be supplied to a central store and from there to outlets.
  - Pre-portioning of certain items is not possible at a central location and has to be done in the outlet (quantity of beef in sandwiches, slices of vegetables, etc.).

**Understanding Fraud**
Understanding why and how fraud occurs is the basis for preventing and/or minimising the risk of fraud.

**Fraud Triangle**
There are three elements of fraud, which together, are known as the ‘fraud triangle.’

**Opportunity**
Of the three elements, management has the most control over Opportunity. By implementing strong controls an entity can limit opportunities for fraud perpetration. The possibility of fraud increases when staff has access to assets (e.g. cash) and information (reports, software) and are comfortable with inefficient controls put in place by management. The said scenario is an environment that creates opportunity for employees to commit and conceal fraud. Employees are given access to records (systems) and valuables (cash) to perform their duties. Unfortunately, that access allows people to commit fraud.

**Rationalisation**
Employees may rationalise this (being fine with committing fraud) behaviour by justifying their actions. There are those who are generally dishonest, for them it is probably easier to rationalise a fraud. For those who do not fall in the dishonest category, it is difficult for them to convince themselves that committing fraud is acceptable. Therefore, they justify their actions. Common justification would be:

- Making up for being underpaid in comparison to other staff or industry.
- Replacing a bonus that was deserved, but not received.
He is just “borrowing” money from the company and will pay it back one day.

- They might tell themselves that the company doesn’t need the money.
- Others believe that the company “deserves” to have money stolen because of bad acts against employees.

**Incentive/Pressure**

Another element of the fraud triangle, is a pressure or a “need” felt by the person who commits fraud. It might be a real financial need, such as high medical bills or debts. Or it could be a perceived financial need, such as a person who has a desire for material goods but does not have the means to get them.

How to tackle elements of fraud triangle (Rationalisation & Pressure)? Management must make a conscious effort to minimise the risk of fraud by mitigating risks that stem from the different elements of the fraud triangle. For the elements, Rationalisation and Pressure, management has little or no direct control. However, efforts need to be made to minimise the effect to whatever extent possible. What are some of the steps that can be taken?

- Salaries and other benefits should be competitive (benchmarked to the market/industry) and this should be informally communicated to staff.
- Formal process for staff evaluations; and a documented process, where unsatisfied staff have a channel to voice their grievances to senior management.
- Performance based incentives.
- A proper documented policy with limits well defined for advances and loans for staff in financial need.

How can management tackle Opportunity, the third element of the fraud triangle? Opportunity (to commit fraud) is the one element of the fraud triangle over which management has the most control. The best way to tackle fraud is to prevent it from occurring, rather than trying to detect it. For fraud prevention, the term often used is fraud deterrence.

**Fraud Deterrence**

Fraud deterrence is the phenomenon which enables management to identify and eliminate the root cause and enablers of fraudulent acts. Management needs to undergo a fraud risk assessment, similar to a risk assessment, where management identifies fraud opportunities/risks and assesses the likelihood and impact of those fraud risks. Once fraud risks have been assessed, mitigating controls/processes are either established or, if procedures exist, made more efficient/improved upon. This is the best way to counter fraud and these initiatives may be short or long-term.

A common misconception is when fraud deterrence is considered as early fraud detection. Deterrence is a preventive measure as it identifies fraud risks and enablers and is instrumental in creating and strengthening policies, controls and systems to prevent fraud from occurring.

**Components of Internal Controls – that can be used for fraud deterrence**

Five components of internal controls that can provide the foundation for fraud deterrence. (See figure)

These components can help management significantly reduce the Opportunity factors in the Fraud Triangle.

**Control Environment**

The Control Environment mainly consists of the actions, policies and procedures that reflect the overall attitude of the top management, directors and owners of an entity about internal controls and its importance to the entity.

**Risk Assessment**

It is a procedure to assess/events that could prevent an entity in achieving its goals. In a risk
Fraud assessment, both internal and external means are identified that could potentially overcome or bypass an entity’s internal control system. In other words it is a process to identify “what can go wrong.”

**Control Activities**

Procedures of an entity that ensure necessary actions are taken to mitigate the risks identified during the risk assessment.

**Information & Communication**

Information and Communication relates to the flow of information within the organisation.

- Communication should be through both formal and informal channels, providing objective information.
  - For example it may include:
    - Communication of goals and objectives by management to functions.
    - Feedback on the status of goals and objectives by the functions to the management.

**Monitoring**

Monitoring activities – the assessment of internal controls to determine whether controls are operating as initially planned and recommendations for improvement, where necessary. Identifying control weaknesses and correcting them is the main objective of the monitoring process.

**Examples of Fraud/Theft in Fast Food Industry**

Following are a few examples of fraud/theft committed by front-of-the-house (FOH) staff in the fast food industry. This is not an exhaustive list; this list is meant to show what can go wrong and how creative employees can be at times:

- **Not issuing an invoice**
  
  One of the easiest ways for employees who are inclined to making money through unjust means, is not to issue a bill/invoice (i.e. not entering the sale in to the system) while making the sale and keeping the sales amount for themselves.

  Usually the pattern for this kind of activity would be:
  - Identifying a customer who will not ask for an invoice (based on their analyses/experience/being taught by another fraudster), for example, a specific nationality.
  - They will serve that customer in the best possible way.
  - Asking for the actual amount, so that customer is not suspicious (in certain systems the amount is displayed for the customer on the pole display).
  - Resulting in sale not being recorded in the system and the total sale amount being pocketed by the employee.

- **Risk is greater where inventory controls are non-existent or at a minimum at the outlet level.**

- **Issuing an invoice for a cheaper item and charging the customer the actual amount**
  
  Another common method used for siphoning money is, verbally communicating the actual amount to customers (can be shown on display pole as well – without actually entering the sales in to the system) and issuing them invoices for cheaper items, recording sales of the cheaper item, delivering and receiving the amount for the higher value item.

  In this case, an invoice is usually provided to the customer when change is being handed over to him. At this stage, the customer will not be interested in going through the bill and in all probability would have checked the prices from the menu while making the payments.

- **Risk is higher where inventory controls cover selected items and not 100% items.**

- **Using items which are not pre portioned are easier to manipulate**
  
  It is not uncommon in the fast food industry where certain items are issued without being pre portioned. Their portioning is done at the outlet.
(e.g. one kg of a specific kind of meat is issued, of which 50 grams is used in individual meals/portions). There is a chance that employees will cut corners on the portioning (40 grams instead of 50 grams) and use the balance of the meat (10 grams per individual portion) in other orders. Unaccounted sales from the one kg meat in the above case can amount to 200 grams (10 grams x 20 portions).

**Risk is higher where surprise checks are not conducted for quality.**

**Using deals to balance the inventory**

Deals/offers are thought to be beneficial for customers (e.g. get one free with every two), but it can be happy time for employees as well, who might choose not to issue bills to customers with regular purchases (e.g. three normal sales) and in order to balance the inventory, will enter the offer (one free with every two) into the system, therefore, pocketing the sales amount of the free items.

**Risk is higher where control over invoicing is weak even in the presence of strong inventory controls. Monitoring with CCTV camera and matching the sales report with timing can reduce the risk.**

**Not recording sales of soft drink fountains, as they are not quantifiable**

Unlike sales of cold drink cans and bottles which can be quantified, sales from the soft drink fountain are usually not accurately quantifiable. Hence, it is an easy option to serve the customer a soft drink (at the table or in the food court) without recording the sale in the Point of Sale (POS) system.

**Risk is greater where controls over consumables (glasses/salad plates) are weak.**

**Using all you can drink/bottomless offer**

Bottomless drink offers are one of the easiest justifications for an increased consumption of soft drinks. It is a great source for employees to make a quick buck by no recording sales.

**Re-usability of glasses/salad plates, etc.**

Even when the consumables (disposable glasses and salad plates) are counted on the periodic basis (say month end) even then the employees can wash and re-use the already used glass for drinks or salad plates to serve salad, without recording sales in the system. This will have no effect on the inventory count and cash sales being pocketed by the employees.

**Risk is higher where surprise checks are not conducted for quality.**

**Specific steps/controls for the prevention of fraud in the fast food industry**

Management is in the best position to decide what controls should be applied. This decision is usually influenced by:

- Practicality
- Cost benefit analysis
- Availability of resources
- Management’s attitude towards the control environment, amongst others

However, best practices should be considered at least, if not adhered to, whenever possible. Following are certain steps which can act as a deterrent.

**Cash removal**

Once removed from the drawers, cash should be stored securely in an area that is not easily accessible to unauthorised users till it is safely deposited. The risk is greater where surprise checks are not conducted for quality.

**It can help in limiting the amount of cash theft/misappropriation.**

**Cash till/cash drawer/POS not to be opened/used in absence of a customer**

A procedure should be put in place restricting any employee to open the cash till or use the POS system without serving the customer. The POS system should only be used to enter an order when a customer is placing an order and the cash draw should only be accessed to put the cash (sales amount) received from the customer into the till.

**It can help in limiting the opportunity to misappropriate cash and its cover up.**
The restaurant business in general and the fast food industry in particular, are more vulnerable to fraud and embezzlement by its employees, than other industries.

Cash drops
Managers or authorised staff should perform cash drops periodically to place cash in a more secure area and remove the temptation which staff may have. Frequency of the same will depend on the footfall of the customers and sales.

It can help in limiting cash theft.

Making deposits in the bank or central safe
Management must decide who is authorised to make cash deposits. In general, the more people you authorise to handle cash, the greater the risk that something will go wrong. A proper cash collection and deposit procedure needs to be defined, to assign responsibility for the procedure and create accountability.

It can help in limiting cash theft.

Checks and balances for shift opening and closing
One procedure management could introduce is to have each cash drawer counted by the employee first, and then a shift manager. At the end of one employee’s shift and the start of another employee’s shift, a proper handing over should be carried out which should be formally documented.

It can help in the early detection of issues. It can help infuse responsibility and ownership.

Single employee to handle cash in a shift
Only one employee should be assigned to a cash till/POS system/cash drawer at a time. It increases accountability.

Control over cash.

Handling discrepancies
Management needs to decide what happens when the amount at the end of the day runs short or has an overage. Management need to decide on an amount per shift which is tolerable as shortage/overage could occur due to various reasons including:
- Tax calculation
- Availability of change
- Employee mistake
That amount might be different for a fast food outlet than it would be for a fine dining restaurant. Management should have formally communicated procedures for when a particular employee has regular overages or deficiencies – for instance, if it occurs more than three times in a month. In addition, management may want to track how often employees are just slightly under the reporting threshold, this could point towards a small but sophisticated skimming operation.

**It helps in creating overall control, motivates employees and prompts the early identification of potential risk.**

**Passwords/access cards**
Technology can be used to control access, but without supervision/monitoring it will not work out. For example, if the same password is being used by all staff of the outlet then the purpose of having passwords will fail.

**It helps in assigning responsibility and conveys the message to the employees regarding accountability.**

**Nationality mix to whatever extent possible**
In an environment where employees from different nationalities work, it is better to have a good mix of nationalities, so that the risk of collusion is minimised.

**It helps in minimising the risk of collusion among the employees working at a specific outlet.**

**Procedure for inventory count**
A proper periodic (say fortnightly) inventory count procedure needs to be put in place with independent (not related to the function) staff, with 100% inventory count.

**It helps counter unaccounted sales and loss of inventory. Directly impacts cash.**

**Surprise inventory count/cash count**
To frequently conduct surprise cash and inventory counts (not scheduled and without intimation) to identify any discrepancies in inventory or cash balances (excesses or shortages).

**It helps counter unaccounted sales. Directly impacts cash.**

**Transfer from one outlet to another**
One of the areas which need strict management oversight is the transfer of inventory from one outlet to another. It should be ensured that no internal transfer is done without proper management approval, as the transfer can be used to cover up fraud. As collision between two outlets of same brand is very much possible.

**It helps counter unaccounted sales. Directly impacts cash.**

**Rotation of staff**
In case of single outlets, the owner’s oversight/involvement is usually strong. However, in case of multiple outlets, a proper policy for rotation of staff should be followed. For example, after every six months, staff should be rotated in a manner that every staff is posted at a new location, with new colleagues.

**It helps in minimising the risk of collusion among the employees working at a specific outlet.**

**Closed-circuit television (CCTV) over the cash till and system**
Placement of CCTVs over the cash till and POS acts as a deterrent and provides management with a tool to observe whether the company’s policies are being followed or not. For example, observing the cash till or system being opened or used when there is no need or no customer is present, may indicate a serious threat.

Usually all sales amount (whether recorded or unrecorded) is put in the cash till at the time of receiving it from the customer and at a time when there is no customer present cash draw is opened and amount up and above the recorded sales is taken out. Also, at the time discrepancies come to light, it provides a record/evidence to assist in determining if something went wrong and who was responsible.

**It helps management monitor controls/policies that have been put in place, and in general monitoring of outlet.**
Limited access to reports
The person handling cash should have limited access to the reports from the POS system, especially the ones which gives the cash position or inventory position.

It helps minimising the risk of employees adjusting the cash balance at the time of cash out.

Blind cash out
Cash out at the time shift closing should always be done blindly that is counting the cash in cash draw and putting the amount of physical cash in the POS system without knowing the theoretical cash that should be present based on the sales amount from the system, and then generating the report for sales.

It helps minimising the risk of employees adjusting the cash balance at the time of cash out.

Analysis of reports on consumption & food cost
Using physical quantities, supplier’s invoices and other related data, management should come up with consumption and food cost reports on a periodic basis and analyse the same with reports from previous periods, standards and industry norms. In case of variations, proper reasoning should be sought and if required, an investigation should be carried out.

It helps management identify the potential area of risk/or outlet which needs to be monitored closely.

Provide change officially
Depending upon the requirement of each outlet, change should be provided officially on a daily basis, so that there is no need for any employee to exit the outlet with cash from the till to arrange for change.

It minimises the opportunity to take money from the drawer on the premise of getting change.

Implement policy for invoice issuance at any cost
One of the foremost procedures to control employee theft is to ensure that an invoice is issued for each and every sale. One of the procedures that can be put in place is by advertising “your meal is free if you do not get the bill” and charge the employee responsible if such an instance occurs. This needs to be communicated to the employees in a way that they are not offended and understand the reason behind it.

It helps in limiting unaccounted sales.

Using disposable plates and glasses with outlets branding
Outlets to increase accountability and increase control over inventory being misused, should use branded consumables (i.e. printed disposable glasses and similar equipment). It will reduce the risk of employees buying glasses/disposable plates from the market and using them for the purpose of unaccounted sales. The fact to consider here is that physical control over the inventory (including the consumables is one of the major controls) and should make all effort to make it effective.

It helps in minimising unaccounted cold drink/salad sales.

It should be kept in mind that there is no universal solution. However, the risk of fraud in general can be minimised by having robust control procedures in place. Conscious decisions should be taken on the basis of what works best for your organisation.

About the author: Muhammad Shahzad Hussain is a FCA, in addition to being a Certified Information Systems Auditor (CISA) and Chartered Institute of Patent Attorneys (CIPA). He has more than fifteen years of experience in Pakistan, UAE and Oman.
Should you compromise your values while building your career?
This is a definite NO. As a professional, we must never compromise our values. Whatever we do not only reflects on us but on the profession as a whole. There will be plenty a time when a scenario challenging your ethics and values will come up, one should be steadfast and make the decision as unbiased and independent as possible. This not only develops a strong character but a professional repute among your peers for further development in life.

As the famous physicist Albert Einstein said, “Try not to become a man of success but rather try to become a man of value.” Values are central to a person’s identity and outlook on life. They define a person and help him/her steer through and make wise decisions in day-to-day confrontations and opportunities that life presents. Thus, when it comes to an individual’s career, I personally believe that a person should never compromise values to achieve success in his/her career.

Success or progress is neither everlasting nor permanent. However, a person’s values will stick by throughout life. They will forever continue to define a person and their moral character to society. Further, a person’s values are tied to their moral conscience, thus I don’t think it is beneficial to jeopardise your moral conscience for career progress. I would like to sum up my opinion on this discussion topic in the words of the famous king of American rock and roll music, Elvis Presley: “Values are like fingerprints. Nobody’s are the same, but you leave them all over everything you do.”

Your values are what defines you. You should never compromise on your values while building your career. Even if you seemingly progress, whether financially or within the organisational hierarchy, it won’t be a true success. For example, if your values are aligned with the Islamic values and you believe that interest based business is forbidden, and then suddenly you receive an offer to work in a conventional bank working mainly in interest based transactions for twice the salary you are currently making, and you accept the offer, it may seem like progression and success to most people in this world but you know that it is not success as there is severe punishment in the Hereafter (See Al-Baqarah 2:275).

Chartered accountancy profession reflects the people of integrity for whom values are of utmost importance. Being associated with such a high reputed profession, one should not compromise values for building ones own career and benefits. The career growth is inherent in reputed professions, however, it is a matter of time that someone achieves growth earlier than others. One should consider and understand that if he is associated with any highly reputed profession, then he is basically acting as ambassador of that profession and if he will compromise values for his own sake then it will only leave a bad impression of the profession in the eyes of others.

The topic for Join the Discourse: Should you compromise your values while building your career? What is the meaning of values? While surfing on net and handling a cranky baby who is teething, the definition which appealed to me the most was: Important and lasting beliefs or ideals shared by the members of a culture about what is good or bad and desirable or undesirable. Values have a major influence on a person’s behaviour and attitude and serve as broad guidelines in all situations. So what is the next thing which comes to mind? Yes, something shared by members of what is good or bad. Something which is of high value for me may not be regarded as a value for my friend with whom I have studied or spent my entire school life or professional life. For instance, doing a simple job or may be taking a career break, or a job with less commitments and not unlimited working hours, hence reaping less financial benefits will be a compromise to providing good upbringing and spending quality time with children. This may be a value for me and not for others.
Before we think of the values being applied in the work place, are we really implanting the right values in the new generation? That’s the more important question. The term values have different meaning for individuals with different locations, religions, community, nationality, etc. Considering the stiff completion in the work environment, people are willing to go that extra step and challenge their own norms and values. However, the most consistent and successful are those who do stick with their core values, even at the hardest of times.

Muaaz Tahir, ACA
Lahore

One should never compromise his/her values while building his/her career. This statement is true in a perfect world. However, in our circumstances, if we abide by this rule then one’s career won’t start, let alone building on it.

In the firms, a trainee is ordered to use all means necessary to get the files ready for Quality Control Review (QCR). This involves doing things like faking everything from data to stamps to letterheads. This was just an example, in practice, a lot worse is happening. If someone decides to cling to values then he is ridiculed, labelled an idiot and in the end, that someone is left with nothing but values.

Can something be done to make things better? Fortunately, yes. Institute of Chartered Accountants of Pakistan (ICAP) is a prominent and influential body in our country. By making a strategy on how to ensure that ethics and values are not violated in the conduct of business, ICAP can help contribute to ensure that at least in our profession one doesn’t have to compromise values to build a career. As a start, partners of firms can be trained and strict rules should be made and enforced regarding violation of ethics because it is in these firms where ICAP members begin their careers and learn how to deal with stuff. So, in these training grounds enormous emphasis should be placed on sticking with one’s values as in the long run organisations/businesses with strongest values prevail.

Furthermore, by doing this, it can be ensured that members of ICAP are an example to other professions and bodies that great careers can be built without compromising values.

Kamran Ahmad
Rawalpindi

If you want satisfaction in your life, then you should not compromise on your values or more specifically, the ethical values. Compromising values for short term benefits might give you temporary happiness or comfort but from inside you will not get any satisfaction. Nevertheless, from my perspective, more important is that you first need to have values. Every person is not brought up in the same way and does not share similar values. So what if a person does not have strong ethical values or who has been brought up in an atmosphere where family and society does not consider corruption as a bad thing, be it financial or moral. If there are no strong values, then the question of compromising never arise since they were not there in the first place. So, first you need to build strong values through education; and if these values are strong then mostly they would not be compromised.

Fahim Ayaz, ACA
Islamabad

The most instinctive answer to this question is no, but, during the course of one’s professional life, he might come across several luring opportunities which can give a lucrative advantage to a person for which he is not eligible.

Compromising on your values for building your career will leave you with regret for all of your life. Although it’s quite difficult to curb the feeling to compromise the value, it’s not worth more than the regret you will have to face during your entire professional life.

When you come across any tempting opportunity to build your career at the cost of your values, that’s the time when loyalty to the values is being tested. If you are to remain loyal to your values and principles, you will stick to the values and say goodbye to the benefit, hence, you’ll pass the test. However, if you take the advantage by compromising your value, believe me, you will be left with nothing but regrets.
Remaining true to yourself and your values will get you a rewarding professional career despite the fact that you don’t see an immediate benefit by holding on to your values and foregoing the immediate benefit. In the long term, your credibility will rise in the sight of your bosses, your colleagues, your family and one day, your loyalty to your values and principles will become a part of your identity. So my reaction to such scenario will be definitely to get a strong hold on my values instead of building a career at the cost of compromising on values.

S. Raza Balkhi
Karachi

CA PAKISTAN is a signature qualification precisely because chartered accountants do not compromise on merit, honesty and truthful statements. If we allow the concept of compromise to build our careers, the integrity and the financial returns and the very careers the CAs are trying to build, will themselves be destroyed over a short period of time.

If reputation of compromise is established, the profession as a whole will sink low. And indeed, all religions propagate truthfulness and straight talk.

"Believers! Take Allah as a shield and say the right thing in straight forward words that hit the mark." (33:70)

Muhammad Nasir Ansari, ACA
Dubai (UAE) & Karachi

Like a great structure can’t be created with weak foundation – a successful/excellent career is not possible without living the greater values. The greater the values an individual lives, the greater the success in professional and social life, which is sustainable and long lasting.

The key values which supports building a successful career are integrity, creativity and courage.

Mis-selling a product can help achieve sales targets for any particular period, but as famous saying goes: “You can fool all the people some of the time, and some of the people all the time, but you cannot fool all the people all the time.”

Walk the talk is one of the foundations of an individual’s personal and professional successes. One has to stand up for what they believe to be right or else stand for nothing.
Smart Strategy

Once you have gotten to a place of stability, then what? What will you live for?
What drives you when you get up in the morning? Most people settle into one of the three modes: Survival; Success; and Significance.

If you are like many many others, you may be struggling just to keep your head above water; you are in survival mode. Whether because of circumstances, setbacks, or poor choices, you have to put a tremendous amount of effort into just making it day to day.

If you are working hard to make life better for yourself and your family, then I applaud you. Keep working.

But once you have gotten to a place of stability, then what? Will you serve yourself or others? Will you put all your energy into success, in trying to get farther ahead than others? Or will you work towards **Significance**? Will you try to make a difference by helping others get ahead? At this point, most people (fresh out of survival mode) believe they should focus on success before tapping into significance.

You can easily find people who have already achieved a level of success, but they are trying to find true meaning in their lives. Many people have gotten to a place
Many people tie their significance to social position, their title, their net worth or bank balance, the car they drive, their prestigious address, the man or woman in their arms, or some other status symbol.

where they have accomplished some of their financial goals – or even surpassed them – and they had earlier thought it would bring some kind of fulfillment. Later, they discovered that they are still not satisfied, and in some cases, they are actually less fulfilled than when they had started their journey. They got onto their journey thinking, “If I get more for myself, I’ll be happier.” They thought it would bring them satisfaction and fulfillment, yet their lives feel hollow.

Many people tie their significance to social position, their title, their net worth or bank balance, the car they drive, their prestigious address, the man or woman in their arms, or some other status symbol. Their mentality is, “If I have enough, it will bring fulfillment.” The problem is that self-centeredness and fulfillment cannot peacefully co-exist. They are simply incompatible.

Sometimes people struggling with this issue are uncertain about what to do. Often, they grapple with the idea of making a career change in their forties or fifties. If you are approaching this stage, sit back, unwind and ask yourself; “Do you really want to switch careers, or do you want to switch to a life that matters?”

The problem usually is not the job or career. When people are self-centered, they can make external changes, and they would still not be any happier in their next career. No matter where they go, they remain dissatisfied.

Instead of shifting careers, they need to shift to significance by putting other people first. Their thinking needs to change from what’s in it for me to what can I do for others? Until that change occurs, happiness, fulfillment, and significance will always be out of their reach.

Extending the same to companies, the purpose of a company is to serve its customers, and enrich the lives of its employees, but, somewhere along the way, people start believing that maximising investor return
The reality is that many people must achieve a certain level of success before they are ready for significance. They need to have found themselves, achieved something, and made themselves valuable before they have something to give to others.

was the point. It should not be. That's not what democracies look up to while chartering corporations to participate in our society. It's not difficult for Dell to squeeze a little more junk ware into a laptop, or TCS to lower its customer service standards, or COMSATS to deliver less bandwidth than they promised. But just because it works does not mean that they are doing their jobs, or keeping their promises, or doing something they can be proud of. Profits and stock prices with customers as a side project is not the point. It is indeed the other way around.

That does not mean success is bad. The reality is that many people must achieve a certain level of success before they are ready for significance. They need to have found themselves, achieved something, and made themselves valuable before they have something to give to others.

I saw this in my brother, Jawaiber. By the time he was 40 years old, he had already made enough money that he would never have to work another day in his life. He once told me that his temptation was to quit working, but he knew that wouldn’t make him happier. “So now I work for another reason,” he told me, “I don’t work for another home. I don’t work for more money. All of the work I do now is going to allow me to give money away. I now work for a great cause—I work to help other people.”

There’s an important lesson here. Jawaiber understood that he did not need to leave his sweet spot in order to help others. He shouldn’t give up the thing he was best at, which was making money, so that he could do something else that did not suit him, like becoming a missionary or televangelist proselytising the population. He continued to use his job, education, position and talents, but for a better purpose. His money would work for him and become a river of influence to positively impact other people.

That is true intentional living and true significance; he is living a life that matters.
History of Transaction Tax

John Maynard Keynes envisioned the financial transaction tax in 1936 in the wake of the great depression and advocated the wider use of financial transaction taxes. He proposed the levying of a small transaction tax on dealings on Wall Street in the United States. Later, in 1972, an economist James Tobin proposed a tax on all spot conversions of one currency into another which was called Tobin tax and the rationale behind this tax was to put a penalty on short term financial round trip to discourage speculation in foreign currency transactions. In 2011, there were 40 countries that made use of financial transaction tax, raising $38 billion together. More precise and relevant history of bank transaction tax is hereunder:

Bank Transaction Tax

Between 1982 and 2002, Australia charged a bank account debits tax on customer withdrawals from bank accounts with a cheque facility. Some Latin American countries also experimented with taxes levied on bank transactions. Argentina introduced a bank transaction tax in 1984 before it was abolished in 1992. Brazil
implemented its temporary "CPMF" in 1993, which lasted until 2007. The broad based tax levied on all debit (and/or credit) entries on bank accounts proved to be evasion-proof, more efficient and less costly than orthodox tax models.

**Automated Payment Transaction Tax**

In 1989, Edgar L. Feige proposed a synthesis and extension of the ideas of Keynes and Tobin by proposing a flat rate tax on all transactions. The total volume of all transactions undertaken in an economy represents the broadest possible tax base and therefore, requires the lowest flat tax rate to raise any requisite amount of revenue. Since financial transactions in stocks, bonds, international currency transactions and derivatives comprise most of the Automated Payment Transaction (APT) tax base, it is in essence the broadest of financial transaction taxes. Initially, proposed as a revenue neutral replacement for the entire federal tax system of the United States, it could alternatively be considered as a global tax whose revenues could be used by national governments to reduce existing income, corporate and Value Added Tax (VAT) rates as well as reducing existing sovereign debt burdens. If adopted by all of the developed nations, it would have the advantage of eliminating all incentives for substitution between financial assets and between financial centers since all transactions would universally be taxed at the identical flat tax rate.

**Introduction of Transaction Tax in Pakistan**

Finance Bill 2015-16 introduced transaction tax regime for collection of tax on banking transactions @ 0.6% on almost all banking transactions including sale of instruments like demand drafts, pay orders, transfer of money through cheque, telegraphic transfers and cash withdrawals. This provision will be only applicable where total payments for all transactions exceed Rs. 50,000 in a day. The amount, so collected, will be adjustable against final tax liability of the tax payer. So, practically speaking, this provision has been added to target non-filers (who are not on active tax payer list of Federal Board of Revenue (FBR)). There are few exceptions like a person whose income is below taxable limit or exempt under different provision of the law then they can claim refund which is practically very challenging as huge refund claims are pending before tax authorities and many of the compliant tax payers are facing scarcity of working capital resulting low production. So, FBR has to expedite refund process to honour valid claims.

The percentage was reduced to 0.3% vide presidential order dated July 11, 2015. Even FBR has order refund of the tax collected in excess of said percentage. But still, trade unions are protesting against this tax and demanding regulators to withdraw this provision. Regulators are taking firm stance that this tax is not a final tax. It is adjustable against final tax liability of the tax payer. The objective is to force non-filers to come under tax net, by enhancing the cost of non-filing. As regard the non-filers, it is final tax and they will not claim any adjustments.

**Rationale of Transaction Tax**

Tax collection limitations, lack of confidence on obsolete tax machinery, ever increasing fiscal deficit, undocumented economy and general public behaviour became the driver for introduction of this tax. Despite tall claims regarding tax reforms or use of technology, FBR failed to bring targeted tax payers in tax net and meet desired tax collection targets.
As per tax directory, Income Tax return filers are only 857,000 which comes to less than half percent of the total population, furthermore, around 25% of the filers paid Zero Tax. In case of sales tax, the number of filer is 115,000. Currently, tax to GDP ratio is 9.45% against the target of 15%. The share of direct taxes is only 39%. Fiscal deficit was 5% in 2014-15 and the target for 2015-16 is 4.3% which will be further reduced to 3.5% in next couple of years. Total public debt is Rs. 16,936 billion and the state is already non-compliant to the key principle of Fiscal Responsibility and Debt Limitation Act 2005:

“Ensuring that within a period of ten financial years, beginning from the first July 2003 and ending on the thirtieth June 2013, the total public debt at the end of the tenth financial year does not exceed sixty percent of the estimated gross domestic product for that year and thereafter, maintaining the total public debt below sixty percent of gross domestic product for any given year.”

In order to control fiscal deficit, FBR has to increase number of tax payers who are earning more than taxable limit but still out of tax net. There are many obstacles which made the regulator unable to add more tax payers and broaden tax net like undocumented economy, corruption, low per capita income, resulting a marginal percentage of the population earning above taxable threshold. 45% of the population is directly engaged in agriculture which is by and large exempt from tax. About 15% of the population is engaged in trading which contribute less than 1% in the form of direct taxation, while manufacturing sector is heavily burdened making our products noncompetitive in international market. On enquiring what tools the government has to increase tax net, we come across different technical jargons like ‘Systemisation, unification and integration of transaction records’, but practically speaking, FBR has very limited tools to target potential tax payer which are given below. Further, despite so many claims, information and records are not integrated with tax payer database:

- Owner of the property more than certain limit.
- Consumer of the utilities more than certain threshold.
- Ownership of vehicle.
- Foreign trips.

**Result of Conventional Tax Collection Measures**

FBR issued 187,000 notices to different potential tax payers, but only 19,000 filed returns. Even in the past, surveys were conducted to target potential tax payers, but those surveys couldn’t produce any significant results. Further, it even cause nuisance among business community and trade unions; it also spoils the investment climate of the country. These witch-hunting exercises unnecessarily cause litigations without any fruitful results because the department tracks down without sufficient information in hand. So collection from tax notices and conventional assessment measures is very limited. Most of the revenue comes from withholding tax and voluntary deposit against advance tax or with return.

**Tax Heavens Responsible for Fiscal Deficit**

Over a period of several years, many Statutory Regulatory Orders (SRO) were issued to provide certain exemptions to different business sectors although the objective was more or less growth and development of the economy. But many times the same were misused to gain financial advantages and to support tax evasions by the
powerful mafias. However, a much appreciable initiative by the government was the introduction of restriction on power of the federal government and FBR to issue SROs for tax exemption and concession which create discrimination and violate the principle of equity.

Presently, these SROs are causing loss of more than Rs. 500 billion to the national exchequer and government showed commitment to gradual withdrawals of major chunk of these SROs. Agriculture sector should also be appropriately taxed, particularly big landholdings, as this sector is the main consumer of water and contributing almost nothing to the revenue. The money collected should be used for conservation of water resources, building of dams. The government is supporting agriculture by different subsidies, concessional loans and even purchasing their produce at support prices to support farmers.

Overseas Pakistanis are helping a lot in supporting balance of payment and section 111 facilities and encourage foreign remittance, but this section is being misused by the business enterprises as a money whitening tool. Although using this cycle, at least financial resources are being brought back to the business cycle which help in growth of the economy. Under present regime, authorities can’t even probe the source of remittance. Exemption U/S 111(4) should only be allowed on providing source of earning, like employment contract abroad, proof of business establishment and documents supporting earning. Taxation of the foreign remittance is not advisable, as it will encourage money laundering and use of hundi and it will further hamper volume of foreign remittance which is, right now, very crucial to support the balance of payment.

**Tax Assessment and Collection Using Most Regulated System**

Currently, the ground reality is that the banking system is the most regulated and trusted available system which is going to be used to track transactions carried out during the financial year by simply grossing up the tax deducted to calculate the transaction volume. FBR is not expecting much revenue from this even source. The real concerns of the trade unions is not the tax deduction itself but, monitoring, as there is an automatic flag on all the transactions above certain threshold which will allow FBR to further probe into the businesses to analyse size of the business. The main target is Small Medium Enterprises (SME), traders and service sector, as they are contributing a very low percentage to the national exchequer. FBR has further concerns that some of the banking companies are not complying with the provisions of tax deduction and deposits; audits are being launched to enquire into this matter.

Initially, transaction tax was imposed on cash withdrawals, in order to discourage cash economy, but transactions through normal banking channels were not subject to any deduction with the rationale to document the economy. These transactions carried proper track, so purpose and the nature of transaction can be questioned by the regulator, but in normal assessment process, neither taxpayers are required to submit their bank statement nor the regulator has any system to summarise and analyse these transactions. Furthermore, out of book transactions were being carried out through personal accounts which have nothing to do with business and the regulator has no tool to know how many bank accounts are being used to carry out such business transactions. There is a giant parallel undocumented black economy which is neither
subject to monitoring nor comes under tax ambit. So now, all the transactions above
certain threshold are subject to withholding tax which is adjustable, so filers are not
actually feeling any discomfort with this provision.

**Next Possible Options as Easy Collection Tool**

By extending the tax net and creating fiscal space, the regulator will be able to reduce
taxation rates as the rate of tax are very high in Pakistan, even compliant tax payers
can be incentivised, particularly, rate on corporate entities is on a very higher side. The
other available tool which can be used to force taxpayers to file tax returns is extended
rate of taxation on commercial consumer of utilities. Consumption of electricity and
gas is also considered as a barometer to assess size of business and volume of business
transactions, although, consumption of utilities is also subject to pilferage, but still,
this can be used as a tool to assess size of business by the regulator. Drawback of these
tax measures is that traders add these taxes in price and pass on to the consumer
which results in inflation but cost of doing business for filer will remain the same as it
is adjustable against final tax liability. Despite all weaknesses in this system, regulators
are justifying these measures because of absence of taxpaying culture.

**Voluntary Tax Compliance Scheme**

Despite opposition and criticism the National Assembly has passed Income Tax (Third
Amendment Act, 2016) for Voluntary Tax Compliance. It is also targeting traders. There is separate framework for filers and non/new-filers. Under this scheme non/
new filer can legalize its working capital up to Rs. 50 million by paying just 1% of the
declared amount and then start paying turnover tax at prescribed rate given below:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Turn Over</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Where Annual Turn Over is less than Rs. 50 million</td>
<td>0.2% of Turnover</td>
</tr>
<tr>
<td>2.</td>
<td>Where Annual Turn Over is more than Rs. 50 million but less than Rs. 250 million</td>
<td>Rs. 100,000 + 0.15% of Turn Over in excess of Rs. 50 million</td>
</tr>
<tr>
<td>3.</td>
<td>Where Annual Turn Over is more than Rs. 250 million</td>
<td>Rs. 400,000 + 0.10% of Turn Over in excess of Rs. 250 million</td>
</tr>
</tbody>
</table>

Filers can also opt for this scheme by paying income tax for the year 2015 calculated
as per below rules:

a. 25% more than the tax paid in tax year 2014.
b. Turnover Tax for tax year 2015 as per scheme.
c. Tax payment of Rs. 30,000. \{ whichever is higher \}

Traders who have already submitted their returns for tax year 2015 can file revised
return by making payment of Income Tax according to following framework:

a. 10% more than the tax paid in tax year 2015.
b. 25% more than the tax paid in tax year 2014.
c. Payment of tax according to the rate prescribed in scheme. \{ whichever is higher \}
Further, privileges and conditions attached to this scheme are available on FBR website. The biggest pitfall of such scheme is that non complaint will remain non complaint and waiting for next scheme to whitewash their financial history by paying meager amount of tax.

**Conclusion**

Transaction tax and voluntary tax compliance scheme measures are targeting traders for broadening tax net as they contribute very little to the national exchequer. Both taxation measures are actually an acknowledgement on part of regulators that their orthodox measures to increase tax net have been exhausted without producing significant results. Moreover, FBR is neither equipped with technology to monitor transactions nor have efficient and effective human resource so the alternative is to use most regulated system of banking for monitoring purpose and use amnesty to attract non-filers as short term measure.

**Sources**
- Economic Survey of Pakistan.
- Annual Budget 2015-16.
- Budget Speech.
- Tax Director issued on 10-04-2015.
- Press Releases by FBR.
- Wikipedia
Finance Business Partnership – Challenges in Implementation

by Abdul Aziz Abdul Qadir Lang

The Finance Business Partnership concept has been evolved and the efficient finance team is now expected to provide proactive and insightful information to support business decisions and contribute to the organisation's performance.
It’s very evident since the past few years that the finance team is moving away from being conventional data processors or analysts and starting to assist in decision-making, providing constructive risk assessments and making full contribution to the management in achievement of the strategic objectives. Since the past few years the finance teams are primarily supporting CEOs in strategic planning process. The Finance Business Partnership concept has been evolved and the efficient finance team is now expected to provide proactive and insightful information to support business decisions and contribute to the organisation’s performance.

Not all organisations are the same, and what is required from finance will vary. In smaller organisations, it is almost impossible for the most senior finance professional not to be a business partner. However, we should not assume that business partnering is essential for all organisations. If other departments are successfully developing a strategy and carrying out suitable analysis with good financial discipline embedded throughout the organisation, there may be no need for finance business partners. Finance business partners are often contrasted to ‘traditional accountants’, ‘bean counters’ and ‘scorekeepers.’ However, these contrasts are not particularly helpful. While this expanded role infuses greater rigour into a company, it requires a different set of skills from those traditionally deployed in finance departments. These skills are not easy to find or develop and therefore, pose a real challenge to deliver the expected results. Organisations may make a positive start, but without right implementation strategy, it may take a long time in having a truly effective Finance Business Partnering. If Finance Business Partners fail to fulfill their intended role and do not meet the needs of the business, the opportunity cost of this can be significant.

**Why do we need this partnership?**

As a business partner, finance acts as a value-added function rather than just doing accounting, analysis, transactional processing and producing reports periodically. Finance Business Partners once effectively in place, not only understand the accounting and regulations, but also know the underlying facts of running a business. In fact, they see the company from both sides and in a much better position to advise their non-finance colleagues. By deploying business partnership, the finance team effectively becomes an internal consultant.

Organisations have recognised the need and are constantly examining their finance functions to determine how to align them with changing business requirements. Expertise in accountancy issues is not enough for middle management positions in finance anymore. Routine accounting functions can easily be outsourced and therefore, senior finance management positions can only be justified by providing expertise in solving business problems, improving the quality of decisions and ensuring that the chosen business option delivers the highest financial value at an acceptable level of risk. Finance Business Partnering is not just delivering highly technical or complicated analysis but supporting business decisions with the right mind set, analysis, insights and judgments that lead to the better decisions.

**Finance Business Partnering is not just delivering highly technical or complicated analysis but supporting business decisions with the right mind set, analysis, insights and judgments that lead to the better decisions.**

---

**Figure 1: Finance business partnering capability and business demand**

<table>
<thead>
<tr>
<th>Low business demand</th>
<th>High business demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest</td>
<td>Continuos improvement and scenario planning</td>
</tr>
<tr>
<td>Develop effectiveness in core work</td>
<td>Solve a key business problem</td>
</tr>
</tbody>
</table>

---

Low finance capability

High finance capability
What do we expect from the partnership?

The demands of business have changed and it requires from finance team a proactive role with delivering quality management information, standardising and simplifying the processes without losing controls and ensuring that key staff has the skills they need to provide the right support for business decision making. Finance Business Partners are expected to be innovative, show initiative, look differently at the existing situation and identify and present possible solutions.

Centralised information system

Generally, the companies have low satisfaction level with the quality of their management information. Bringing all the information and data management under central control of one team may address the proper flow of information in the organisation. Gathering financial data from finance and non-financial data from other business units, and centrally consolidating the information with the help of standardised processes will provide better access to management information across the entire organisation. Combination of financial and non-financial information processed by the Finance Business Partners should lead to decisions being taken with all the relevant information forming part of the picture resulting much better outcomes.

Performance measurements

Organisations should have simple ways of measuring performance. A talented and technically skilled finance professional with a business sense to not only use numbers for performance management but also translate the data with the help of non-financial information for better understanding the results.

Process improvements

As the businesses getting more complex and challenging, the standardised and simpler processes free up valuable time of the management to do tasks that add more value to the business. Consolidation of repetitive tasks into a central function can also create more time in the system. Automatic processes reduce the level of operational risk that is inherent in manual processing especially employed by finance team in urgent deal reviews and similar tasks needed for effective decision making.

Business support and creativity

The senior management expects greater support and creativity from their finance team in managing their financial matters and addressing business issues. Finance Business Partners are trained to find out business options, foresee challenges and designing risks mitigation processes. Business managers need to know the analytical techniques available in tackling the issues and best to deploy them.

Finance Business Partnering is shifting the focus of finance team towards business divisions so that finance is seen as a valued partner in the delivery of common objectives. The organisations equipped with successfully Finance Business Partnering will be able to deliver better decisions.

Finance team’s traditional role

Traditionally, finance teams have been seen as reactive, reporting centers, with a focus on operational processing. They are not forward-thinking visionaries that help drive a business into the next phase. It is an uphill task for an organisation to find a finance head to lead a team that integrates with the rest of the business.

The attitude of the traditional finance personnel is so strong that effective Finance Business Partnering cannot be achieved by simply appointing accountants to business partner roles and expecting them to act as CFOs to their business counterparts. Successful implementation requires a change in the mind set.
Implementing Finance Business Partnering

It is highly recommended to properly advertise the Finance Business Partnership role before proceeding with implementation plan. The non-finance functions of the organisation should first buy in the idea of partnering and unless they recognise the need, value and support they will be getting with this new role, any attempt to implement the role will not have a needed support within the organisation. The business should start looking to finance as an additional and valuable support that they are missing completely.

Another major element that the management should know is that this new role is more likely to be successful if they are free from the demands of routine core finance activity. The Finance Business Partnering will either fail or at least not be able to deliver the desired results if a ‘two-tier’ system evolves within finance, with the new role perceived as more highly valued than the rest of the finance team. Good internal communication about the structure and value of different roles is vital to strong working relationships between the core finance team and the Finance Business Partners.

Implementation of Finance Business Partnership role is not easy. Although skills shortage is a major issue, organisations also face specific organisational, cultural and leadership challenges. Routine transactional work can still take up valuable time that could otherwise be spent on more value-added partnering. Many finance departments are still geared to number-crunching activities. Others struggle with inadequate technology and some are constantly consumed in firefighting. Change is never easy, and internal resistance to partnering can be strong.

It is obvious that better communication is vital but at the same time if this new role isn’t positioned as actually making a difference to the business, whether that’s improving the quality of decision-making or optimising business performance, then it’s very difficult to really sell the value of business partnering to the broader business. Poor role and skills definition can result in confusion, duplicated activity and less than acceptable service level. The key is to be respected for understanding the business needs, but also continuously checking if the finance team partners in the right way, and other departments see it as adding value overall, despite any tensions.

Implementation process cannot be provided as a step by step approach. It depends heavily upon the organisations internal complexities, needs and even leadership quality play a major role and sometimes bottleneck in the implementations. However, in all the situations the following serves as guiding principals for a better and effective implementation of this role:

**Defining the role – a primary and most crucial element**

This is the most fundamental part but unfortunately most often missing. Clear identification of the activities to be performed, the decisions that the Finance Business Partners are expected to support and the alignment with the existing management team must be well defined properly in detail. Just telling finance staff to support the business and leave them to figure out how to support, may lead towards a failure. It is worth noting that, in many organisations finance professionals are heavily involved in organisation's strategy formulation, implementation and communication, commercial decision making and negotiations, business analysis, without the term business partnering being mentioned or featuring in job titles. Roles such as chief finance officer, financial director, financial controller, financial planning and analysis director, management accountant can all be finance business partnering roles.

**Strong networking – mitigating chaos**

It is imperative that a Finance Business Partner network is established to provide
In the absence of proper and formal alignment lead by the organisation’s leadership, Finance Business Partners can easily become isolated from the rest of the finance function and sometime, with each other as well.

functional leadership, identify common issues, develop solutions, identify and share best practices. In the absence of proper and formal alignment lead by the organisation’s leadership, Finance Business Partners can easily become isolated from the rest of the finance function and sometime, with each other as well. They may work with a fragmented approach to common business issues. Duplication of effort and inadequate knowledge sharing may also develop. Business partners should be encouraged to meet informally to share ideas.

Networking is also important as the needs are not similar from person to person. Some business function leads will know precisely what the numbers mean and quickly understand the insight they provide, others won’t. This begins to define the type of support they will need from their Finance Business Partners. This challenge will be less complicated instead of trying to create the perfect Finance Business Partner, working towards creating the perfect finance/business team and with better collaboration. It may also help the Finance Business Partner to have
a hard reporting line to the business function leads and a dotted-line/functional reporting to finance head in order to reinforce the importance of the relationships.

**Finding Skills - controlling the resource gap**

We are talking about changing a complete mind set for the Finance Business Partners. As the finance team is usually set up to do the traditional job, the transformation to business partnership poses multiple issues. Instead of having the experience and ability to explain complex financial principles in straightforward terms, and then assimilate the business knowledge and map that back up the numbers. The role involves pro-activity and the confidence to challenge poor decision-making. Generally, the finance team has accounting background and is expected to possess technical finance skills to do their jobs. They simply lack interpersonal skills that are crucial for this new role. They also need a commercial acumen, leadership skills, team-building, interpersonal, presentation and other soft skills. They also need to understand the business and its industry.

Finance Business Partners should have good communication skills that enable them to do proper and effective advocacy. The ability to persuade is particularly important when business partners challenge senior management. Their communication skills helps them to concise the information and effectively translate to non-finance people.

**Training & development – a key to success**

It will not be easy to develop a finance team to provide business insight that will enable an organisation to take lead over the competition. This transformation cannot be achieved just by finding new job titles for people expert in transaction processing.

This requires time and investment in training the team that is expected to become the most valuable business function. Needless to say that they not only get paid more but it is not easy to recruit and retain this kind of talent. Once the right talent is recruited and trained to perform the function, the Finance Business Partners must take responsibility for maintaining their technical and analytical skills. In order to keep up the pace of changing business requirements, an ongoing development plan should be established to keep on developing their soft skills such as listening, communicating, decision-making and negotiating. In addition to the training and development needs, a more flexible and transparent career path will not only keep the team motivated but also help in developing the required expertise. Some organisations have flatter organisational structure and in this case, job rotation and talent development programs will keep the staff motivation to a desired level.

In short the organisations must strike a right balance between recruiting staff with essential skills and developing existing finance team members to become effective Finance Business Partners.

**Performance measurement – Overcome the changing economies**

A performance measurement process will enable the management to ensure if the support level is meeting the requirements and expectations of the business and at the same time determine the need of additional value in the changing business environment. The performance measurement process will constantly update the service levels and adjust the expected outcome especially during abrupt major changes in the external economic situation. Finance Business Partners help the organisations foreseeing and taking counter protective measures and sometimes identifying and helping gain the advantages of the situation that include but not limited to cost reduction, customer satisfaction, profitability, liquidity, cash forecasting, pricing or marketing effectiveness.

Reference: Finance Business Partnering – A Guide by Finance & Management Faculty – ICAEW UK
Outsourcing is an effective cost saving strategy of contracting business processes to specialist external service provider. This will enable the organisations to economise by delegating functions to the service provider that are equipped with the resources and capabilities to specialise in those functions.

Outsourcing is a standard business strategy to outsource the back office or non-core functions to avail the following benefits:

- Focus more on core
- Enhance efficiency
- Reduce cost
- Business risks
- Lower product development cycle
- Boost innovation

Organisations are increasingly outsourcing their finance and accounting functions to focus more on core activities.
Advantages and Disadvantages of Outsourcing

Outsourcing has both pros and cons. Outsourcing has benefits that go far beyond cost reduction. The benefits of outsourcing usually overshadow the disadvantages of it.

Advantages

- **Swiftness and Expertise:** Organisations usually outsource their business processes to vendors who have specific equipment and technical expertise which enable them to specialise in the respective areas. Specialisation will result in tasks being performed in less time and with better quality output, thus making the business processes more efficient.

- **Concentrating on Core Process rather than the Supporting Ones:** Outsourcing the supporting non-core processes enable the organisations to focus on their core business processes by dedicating more time and utilising the resources on the activities which will give them a competitive edge over their competitors.

- **Risk-sharing:** One of the most crucial factors determining the outcome of a campaign is risk-analysis. Outsourcing certain components of business process helps the organisation to transfer certain responsibilities to the outsourced vendor. Since the outsourced vendor is a specialist, they can plan how to mitigate risk in a better way.

- **Reduced Operational and Recruitment Costs:** Outsourcing eludes the need to hire individuals in-house; hence recruitment and operational costs can be minimised to a great extent. This is one of the prime advantages of offshoring (the practice of basing some of a company's processes or services overseas).

Disadvantages

- **Risk of Exposing Confidential Data:** When an organisation outsources to an external party, it involves the risk of exposing confidential company information to a third-party.

- **Synchronising the Deliverables:** Some of the common problematic areas of choosing an inappropriate partner for outsourcing, include stretched delivery time frames, sub-standard quality output and inappropriate categorisation of responsibilities. At times, it is easier to regulate these factors internally rather than outsourcing it.

- **Hidden Costs:** The hidden costs involved in signing a contract especially when offshored may pose a serious threat.

- **Lack of Customer Focus:** An outsourced vendor may be catering to the expertise-needs of multiple organisations simultaneously. In such situations, vendors may lack complete focus on a specific organisation’s tasks.

It is advisable for organisations to specifically determine the importance of the tasks which are to be outsourced and consider all these pros and cons before actually approaching a service provider for outsourcing or offshoring its business processes.

Outsourcing Trend

Up till late 90’s, outsourcing was primarily limited to call centers in India, however, the trend has changed and it is not just call centers in India anymore. Outsourcing, nowadays, is much more beyond this and has become an obvious way to reduce costs that it is hard to refute once the organisations have experienced the efficiency of processes and cost reduction through outsourcing. Most businesses, with a significant number of Small and Medium Enterprises (SMEs) outsource their back office functions not only to save cost but also to gain benefits of high quality services from better experienced and skilled specialists.
According to a survey, the global market for Business Process Outsourcing (BPO) is projected to reach to US $220 billion by 2020.

The trend in the graph shows maximum percentage of respondents who are currently outsourcing and are planning to outsource the respective functions or some functions/processes within it.

**Examples of Outsourced Functions**

As the trend of outsourcing is rapidly growing, organisations are outsourcing different functions to avail the benefit of cost savings. The functions which are outsourced by different organisations are finance and accounting, IT, administrative functions, recruitment, training, compliance, internal audit, telemarketing etc.

**Trend of Finance and Accounting Outsourcing (FAO)**

CFOs are seeing that the Finance and Accounting Outsourcing (FAO) market has matured so they are more comfortable outsourcing more complex functions like financial planning and analysis, management reporting and financial closure. Organisations, internationally, are looking at different outsourcing models to consider how outsourcing can benefit them. With maturity, the buyer expectations have become more value-centric instead of pure labor arbitrage driven. New challenges and new ways of doing business have increased their need for outsourcing.
Outsourcing is a sustainable business model used by organisations as an effective cost reduction tool.

Organisations are increasingly outsourcing their finance and accounting functions to focus more on core activities. The benefits of outsourcing finance and accounting function of outsourcing are:

- Organisations will be able to focus more on their core functions and strategic decisions.
- Independent accounting and reporting will lead to reliable data management.
- No hassle of software development and maintenance.
- Reduction in cost of operations including HR, IT and premises.

Outsourcing has now become a business need and has grown to become more than a buzzword for the global economy.

The accounting and finance functions which can be outsourced are:

- Account payable
- Collections
- General accounting
- Payroll
- Fixed Asset accounting
- Account receivable
- Billing

### Core verses Non-core in the Finance Function

<table>
<thead>
<tr>
<th>In-house</th>
<th>Outsource?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core</td>
<td></td>
</tr>
<tr>
<td>Analysis Management Reporting, Consolidation and reporting, Budgeting/Treasury Management</td>
<td>Yes</td>
</tr>
<tr>
<td>Fixed Assets, Expenses Accounts Payable, Payroll, Cash and banking Accounts receivable</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Why should Organisations Outsource Finance and Accounting Functions?

Globally, organisations are outsourcing their non-core functions within finance and are giving serious thinking to even outsource their essential non-core functions. Outsourcing of aforementioned functions of finance and accounting will result in a reduction of workload of the organisation. The company will not have to perform the following tasks with respect to their respective areas, if it outsources its finance and accounting functions to an external service provider.

According to a survey, the global market for Business Process Outsourcing (BPO) is projected to reach to US $220 billion by 2020. On a global perspective, India, China,
United States and Poland are considered to be the developed nations for outsourcing, while Philippines, Romania, Mexico, Australia, Brazil and Malaysia are considered to be the developing nations. Further, seven destinations have been identified as ‘Future Opportunities’ and Pakistan is not in that list. According to a survey in 2012, 60% of the global players are outsourcing their business processes to India. India continues to represent the primary destination for offshoring (especially for English language and IT infrastructure) and a global hub for multi-location outsourcing strategy. Pakistan can also be the major destination for outsourcing as it is in the same region as India, has majority of skilled and talented youth population and have excellent IT infrastructure like India.

Thus, outsourcing is a sustainable business model used by organisations as an effective cost reduction tool. Real progress of an organisation will only be possible if it brings new generation of smart leaders, and better governance systems. It will require scaling up of existing initiatives, ambitious rollout of new business model and innovation and the best course of action of doing that is to outsource the back office functions to a service provider who has expertise in providing the respective service.

“The best companies outsource to win, not to shrink. They outsource to innovate faster.” – Thomas L. Friedman, American journalist, a columnist and an author.

References
Deloitte’s 2014 Global Outsourcing and Insourcing survey
PWC Survey Report: Outsourcing comes of age: The rise of collaborative partnering
Accounting firms aren’t always quick to adopt change but we can all be assured that changes will continue to come in our profession. One area in which we are seeing considerable change over the last few years is in the utilisation of office space. As firms face the decision between remodeling their current location or relocating to a new space, they are changing the basic layout of the space and the technology with which they outfit the office.

Bigger isn’t Necessarily Better

In light of the trend toward a more remote workforce and the fact that many firms have a large portion of their team working at client locations throughout the year, leadership is really starting to analyze utilisation of space and the size requirements of the office. If you look at the high tech industry and the office space they maintain, you’ll find much less square footage per employee than the typical...
Certified Public Accountant (CPA) firm. Why waste money on real estate that is usually at 50% capacity on any given day?

**Hotelizing**

How do you move into a smaller space, yet accommodate the same or higher level of staffing? The big four have used the concept of hoteling in their office space for years and we are now starting to see a growing interest in this concept further down market. Employees simply reserve a space – cubicle, office or conference room – for the period of time they will be working in the office. When they are done, the space is released for someone else to utilise. Through technology, this can be a streamlined process where you login into a kiosk and reserve a space which already has everything you need to do your work. And, through the software, you can also transfer your phone extension to that location. Some of the providers leading firms are using include Condeco, Steelcase and Asure, while other firms have had custom solutions developed for their firms.

**Open Space**

There is also a trend to promote and enhance collaboration among teams by bringing down the physical barriers that have existed in offices for so long. The open plan for an office makes use of large, open spaces and minimises the use of small, enclosed rooms such as private offices and cubicles.

At first glance this sounds like a nightmare in terms of managing the noise of other conversations going on in the vicinity. However, the use of ‘pink noise’ has allowed this to work by pumping in background noise that is shaped in terms of sound spectrum and level to provide the level of sound masking and privacy desired in the workspace. Firms that have implemented pink noise in their offices say it’s amazing how you can be sitting ten feet from someone on the phone and not be bothered by their conversation.

**Sitting is the New Smoking**

Another workplace norm, sitting at your desk all day, is also being countered in many firms. Research shows that prolonged sitting can cause a number of health issues from decreased blood sugar to muscle imbalance leading to spinal issues. A number of firms are confronting this challenge head on and providing their employees with standing desks that raise and lower so that they can alternate positions throughout the day. There are a number of providers of these desks but two of the most prevalent in firms are Varidesk and Geekdesk. We’ve also come across a few that have installed treadmill desks for those that wish to get a quick workout during their normal work routine.

**Conference Room Upgrades**

Firms are employing technologies to upgrade their space for meetings. The tools modernising conference rooms are:

- Flat Panel Displays and Smart Collaboration Screens
- Wireless Presentation Technologies
- Video Conferencing
- Robotics
- Reservation Systems

CPA firms aren’t always the quickest to adopt change. It’s especially difficult when it comes to the space where you conduct your business. While you might not adopt all of these trends in your office, I would encourage you to give fair consideration to each of these and see if any or all of them fit your firm’s culture and employee’s needs.

Courtesy: Used with the permission of International Federation of Accountants (IFAC) Global Knowledge Gateway: www.ifac.org/Gateway
Premier Insurance Limited

is proud to launch

Premier Takaful

Shariah Compliant Window Operations

www.pil.com.pk
Dream, Sketch & Drive - the Shariah Compliant Way

BankIslami’s Islami Auto Ijarah offers you the convenience to get the car of your choice, the Shariah compliant way. The features of Islami Auto Ijarah are:

- Low security deposit
- No upfront Takaful (Islamic Insurance)
- No upfront registration charges
- Flexibility of choosing your own dealer
- No rental till the delivery of vehicle
- Minimal processing charges
- No upfront tracker charges

Serving you, the Right way

BankIslami Pakistan
www.bankislami.com.pk
111-ISLAMI (111-475264)