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CA's Personal Branding

Islamic Banking
Conventional Banking Sprinkled with Holy Water

PAKISTAN is Not Ready for IFRS-9

INTEGRITY
Management System

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Editor's Letter

The sweeping changes in terms of demographics and economic circumstances in the developed countries have given rise to gradually competitive employee markets, where struggle for good employees is strong. Consequently, big companies apply strategic investment strategies in drawing appropriately qualified and skilled labour as their workforce. Employer branding is one main strategy in this context. Employer branding in terms of staffing is the compendium of psychological, economic, and functional benefits that prospective employees affiliate with employment with a specific company/organisations. Adequate information about these perceptions can help companies to produce an attractive and competitive employer brand for their businesses.

The concept of employer branding thrived during the period of tight labour markets and talent management, but has been challenged in the critical conditions of world-wide recession. According to marketing literature, potential employees assess the employers appeal based on any preceding employment experiences with the employer or in the sector; the transparency, integrity, and consistency of the possible employers' brand signals; insights of the employers' brand investments; and insight of the employers' product or service brand portfolio to name a few.

Currently, companies/organisations are strategically relating employer branding to innovation and reputational investment. Researchers have found that employer branding has the capability to aid companies/organisations become reliable, receptive and build social capital, thus contributing to the development of innovation agenda and transformative business model change in the long run.

In a progressively competitive job market(s), companies/organisations need to develop strategies to guarantee that their HR base remains suitable for the challenge of doing business in the market. Numerous scholars emphasise that brands and human capital create some of the company's most significant assets, and growth of these intangible assets is a vital task for the future progress of the companies/organisations.

Employer branding is a key topic for integrating human resource strategies and procedures to build the much needed associations between human resource, marketing, information and reputation management technologies. Companies should conduct practice based research and investigation in order to gain understanding about employer branding and its future needs.

Yacoob Suttar

President’s Page

In the present economic environment, companies are spending more in their employer branding strategies as they now understand its breadth and value in the long run. In business, strategic employer branding is a novel idea in managing the talent of organisation. Companies are concentrating on generating ideas on how to create an employer brand in the minds of employees which can also aid in talent management. For any company, talent is the key to innovation, competitiveness and growth. In the present market situation, companies know that the growth during a downturn, in order to stimulate the brand, should not be measured a waste of money, rather, should become a need.

According to both scholarly literature and the business press, employer branding is a targeted, long-term strategy to achieve the awareness and perceptions of existing and potential employees, and other related stakeholders. Today, employer branding has become a top primacy for companies in their mission for talent acquisition and retention. The extraordinary demand for talent, supplemented by a shrinking pool, poses a challenge for companies. Exceptional branding appeals potential contenders' attention and generates a desire to apply to the specific company. Employer branding shapes an Employee Value Proposition (EVP) that matches both what employees need and what's required from them in return. It basically describes about the company stability relating to rules, regulations and culture and produces a loyalty among the current and potential employees and aids in retention of management as well as generates an enhancement in contender/ applicants attraction, engagement, commitment, and motivation. It helps as a Human Resource (HR) standpoint.

As a matter of fact, an employer brand should continue to breed and mature over time and requires constant devotion. The best employer brands recognise the changing requirements of their workforce and moves in perceptions, and alter their strategies according to the flow. They often use tools like employee satisfaction surveys, workshops and exit interviews which all can deliver invaluable understanding about the employee needs.

The employer brand is a multifaceted and dynamic paradigm surrounding many linkages with other micro and macro features of a company's standing in business. The synchronised endeavours of practitioners and researchers from the fields of public relations, marketing, general management and human resources will be essential to successfully control this critical but potentially slippery notion.

Nadeem Yousuf Adil

Employer Branding

by Asif Mahmood

The Conceptual Definition

The term employer branding refers to an organisation's identity as a current as well as a potential employer the way in which it is perceived by the job applicants and within the market place in general. It is imperative for any organisation to be able to identify and understand its employer brand which is the perceived image of it as a company that exists in the minds of potential job seekers. This is an important preliminary step as it would allow the company to recognise the potential areas which it needs to improve in order to attract more talented employees to its recruitment process. In fact, being able to attract, retain and maintain a pool of talented employees has become increasingly difficult for an organisation in the present scenario as the number of potential candidates who are truly talented or hold the capabilities to positively contribute towards the organisational function as whole is decreasing. Consequently, employers within the job market are currently engaged in active competition to win over the few talented job applicants that have the potential to exponentially accelerate their organisational success in the future.

Nowadays, employers are trying to cultivate a compelling brand image for themselves within the minds of potential job applicants in order to influence their decision to be a part of their organisation. In this regard, being an employer of choice, within the domain of the industry has become a coveted role as such an employer receives the bulk of the job applicants from the job market and as a result has the potential to choose from a wider pool of more talented employees.

Employer Branding Strategies

One of the first strategies which a company can implement internally is to improve the retention rate of its current employees. This is because almost all prospective employees use the turnover rate of a company as a guide line to estimate the organisational culture and business environment of an organisation. A high rate of employee turnover could possibly be the result of a destructive corporate culture and low job satisfaction as a consequence of a debilitating workplace environment. Thus, potential applicants tend to steer clear of organisations with low employee retention rates which significantly reduce the pool of potential recruits.

Each company has a brand image which is made up of the perspective that the current employees have about the organisation. As a consequence, it is important to advertise the salient reasons why the present employees of the company are satisfied with their jobs. An alternative to this strategy is shaping the employer brand around the professional profiles of some of the more talented and skilled members of the workforce. The business could be recommended to start promoting the remarkable achievements of their key employees externally so that potential job applicants are encouraged to join the organisation in order to gain access to mentorship opportunities.

A similar strategy would be to encourage the present employees of the company to promote the corporation by becoming ambassadors of the organisation on business communities which exist on internet forums as well as those in real life which are often frequented by

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potential recruits in order to disseminate information about the company. One way in which a corporation may do so is to cultivate its employer brand at a grassroots level by engaging the interest of students at a college or university level who will enter the job market once they graduate and have the potential of becoming future job applicants of the company.

A media presence online and on social media platforms has become an almost mandatory requirement for employers. The active presence of the company on the internet should be improved as this happens to be one of the foremost ways used by employers to attract potential employees to join their company. HR strategies that enhance the physical aspects of the job, such as providing employees with a more relaxing and entertaining environment that would diminish their work-life stress by encouraging them to enhance their social life at the workplace can act as an attracting aspect to potential employees.

An employer's brand identity within the job market also holds implications for its recruitment strategy. A strategy which the company can employ is to treat its potential employees as well as its potential customers. Many corporations require their potential applicants to go through a rigorous process which de-motivates them. This is a potential area which can be improved in order to humanise the recruitment process and allow the applicants to feel more at ease with the company. Recruitment requires an HR department to gather a pool of potential applicants. This can be done through employing the traditional avenues of an application process such as advertising for a job vacancy in newspapers and specialist trade journals. Alternatively, the company can benefit from employing more contemporary methods of gathering applicants through the internet job platforms such as LinkedIn as well as through social media websites such as Twitter and Facebook. Using more modern techniques would allow the company greater access to potential candidates and to improve their employer brand image by appearing as a tech savvy corporation.

A more creative recruitment strategy, which also has the potential to screen out candidates who are not serious about the job, is to hold a non-mandatory group event such as an open house of sorts where potential applicants can be invited to interact with each other and familiarise themselves with the corporation. Any applicant who doesn't participate in the event can be perceived as not being engaged with the recruitment process and can be disregarded as a potential employee. This creates an atmosphere of social interaction which could aid a corporation in cultivating its brand image within the minds of the potential applicants.

It is important for potential candidates to interact with their future employers in a more relaxed and social setting which would allow them to articulate their level of knowledge and skills in a more effective manner. As a consequence, this event can also allow applicants to interact with key members of the organisation, for example, their potential supervisors should they be selected for the vacancy, in order to cultivate a potential synergy between them which could make the recruitment process more effective.

Another strategy which a corporation can employ in order to attract applicants into its recruitment process as well as strengthen its employer brand image, is to increase the awareness about the company and its proceedings. This can be done by creating videos about the organisational culture and the experience of the current employees with working for the organisation. Recruitment videos have the potential to visually represent the positive aspects of working for the company in order to encourage people to join the organisation.

Employer Branding and Corporate Culture

The corporate culture of a company plays an important role in aiding the cultivation of a brand identity by an employer and to integrate this identity throughout a corporation's internal environment. In fact, the corporate culture itself has the potential to influence a company's organisational attractiveness which can in turn strengthen and augment the brand image which an employer is trying to build within the job market.

The corporate culture is an accumulation of the beliefs and opinions held by the people working within a company, which are then exhibited by their behaviours within the

A media presence online and on social media platforms has become an almost mandatory requirement for employers.

workplace and the way in which they conduct their jobs. There are quite a number of instances, that suggest that a corporation may have a weak organisational culture. In many corporations within the country, the corporate culture is not based on social ties by nature but rather on professional working relationships. This may be indicated by the fact that the employees within a corporation, especially those who belong to different ethnic backgrounds, rarely spend time in each other's company outside of the workplace.

The potential employees of a company may perceive such an environment to be robotic and stiflingly corporate in nature, a workplace which they may consider to be inhospitable or incompatible with their notion of an attractive workplace. Additionally, most ethnic groups within the organisation may prefer to speak in their own unique languages, which may not be understood by their colleagues. This forms isolated cultural groups within the corporation which alienate the other members of the workforce creating a non-cohesive workplace within the company. This obviously makes a workplace less attractive to employees as it estranges them from their colleagues and creates a rift between them.

There are however strategies which the company can employ in order to engender a stronger corporate culture within their respective organisations. The company should encourage their employees to relate to their colleagues on a more social level to enhance the depth of their intrapersonal relationships with each other. One way which the company could be recommended to do so is to utilise a system of corporate retreats where employees of an organisation are required to interact with one another outside the workplace as a way to foster better associations with each other. These retreats could act as a tool to recognise and reward good performance by individual employees so that a healthy culture of employee engagement is cultivated.

Another strategy is to persuade members of the top management to adopt a more inviting attitude towards all members of the workforce by using a common language as the established mode of communication which is universally understood by all (Babar Yaqub and Dr. Muhammad Aslam Khan, 2009, The role of Employer branding and Talent Management for Organisational Attractiveness, Pages: 57-65, the Fareast Journal, 5 No. 1 Paper 5 October [2011]). Doing so, would promote its use throughout the lower level staff members as well because the employees generally tend to replicate the behaviours exhibited by managers. Contriving to create a common language should reduce the alienation of the workforce and improve their sociability with each other.

Conclusion

It is important for a corporation in the current times to understand its brand identity within the job market in order to influence its talent management function within the context of attracting, retaining and maintaining the correct mix of workforce employees. Retaining talented employees is also becoming a growing concern for employers as other firms may be successful in luring away some of the more talented members of a corporation's current workforce resulting in a brain drain situation where the organisation's human resources are being depleted by external forces. It is important to attract the employees who possess the capabilities and talents which would make them an asset to the organisation and which would allow them to exponentially accelerate the rate of organisational growth and success. Additionally, attracting talented employees requires an employer to compete with other firms for the professional interest of the limited pool of job applicants. This situation necessitates the cultivation of a strong presence in the job market by the corporation as well as the development of an attractive brand image which would compel potential job applicants to choose the corporation as their first employer of choice.

Recruitment videos have the potential to visually represent the positive aspects of working for the company in order to encourage people to join the organisation.

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Why is 'STRATEGIC EMPLOYER BRANDING' the Next Big Thing?

by Muhammad Asad Mirza

‘If the reputation of a company’s product and services is its face, the talent brand is its heart and soul.’ – Hank Stringer & Rusty Rueff, author and writer

According to Harvard Business Review (HBR), several surveys indicate that the CEOs of global market players are seriously concerned about finding and retaining right talent for achievement of their business targets. Even alarming is the fact that 36% of these employers reported lack of potential talent which is the highest percentage seen after 2007 meltdown. Another survey conducted in 2015 shows that 73% company’s higher ups are worried about the scarcity of relevant talent in the market. This has initiated a kind of talent emergency globally where companies are now more focusing on strengthening their brand name to attract proficient employees, which is otherwise known as Employer Branding.

What is Employer Branding?

The term, employer branding, is defined as the ‘set of perceptions’ key stakeholders and employees have in their minds for a company. This perception is based on a combination of treatment/ behaviour these employees witness on a daily basis and it greatly helps them in drafting their long term plans about working for the company. An effective employer brand successfully vouches for an organisation to be a better workplace and assists in hiring and retaining employees. Moreover, it enhances the reputation of a company in the market and makes jobseekers want to be part of it, which is an added advantage for the employer.

The term ‘Employer Branding’ was first coined in 1990s to distinguish an organisation’s reputation as an employer rather than the overall corporate identity it carries. However, the concept became more important in 2004 till 2008 when due to severe competition for talent, corporate giants like P&G, Unilever and Shell began to invest as much as in employer branding as they did in their commercial brands.

Human capital is considered as one of the greatest assets for any company and everyone wants to retain and hire the best talent in today’s challenging times. Hence, employer branding is one the finest ways of doing it. Employer branding covers each and every touch point that communicates the culture, values, code of conduct and personality of an organisation. It starts right from the moment you decide to be part of the company (hiring process) and continues till you finally leave it (exit process).

How has Employer Branding Evolved in Recent Times?

With the passage of time, employer branding has become an integral part of organisations’ short and long term plans. Employers are now investing more than ever in building up their reputation. For this purpose, they are utilising whatever resources are available and are actually benefiting by being in the consideration set of potential employees.

The following are some case studies that explain how some of the well-known companies attracted the desired workforce just by focusing a little more on improving their employer brand.

Case in Consideration: Rolls Royce

Problem

- Science, Technology, Engineering & Math (STEM) Talent Shortage

Objectives

- Attract Young Talent
- Become one of the Top 20 Companies to be featured in 'Times Top 100 Graduate Employers'
- Become No. 1 preference for engineering students

Approach

- Engage students with an inspiring and colourful 'Adventures in Power' that are possible with STEM
- They made a video featuring the creativity and innovation Rolls Royce is involved in and showed the lively workplace environment the organisation offers

Marketing Collateral

- Video
- Website
- Brochure

Channels Used

- Facebook
- Twitter
- YouTube

Results

- 7849 Graduate and 5538 Internship applications received
- Rolls Royce became No. 1 choice of engineering students and was ranked No. 19 in the 'Times Top 100 Graduate Employers'
- Views on YouTube: 5000
- Increase in Facebook likes: 25%

Case in Consideration: Kraft

Problem

- Oscar Mayer, a meat producer which is owned by Kraft Heinz, was headquartered in Madison, Wisconsin and was less preferred by employees for relocation purposes

Objectives

- To encourage potential employees to relocate to Madison, Wisconsin

Approach

- Show them how much fun and beauty they are missing out by not being in Madison, the remote headquarter
- For this purpose, current employees were asked to share their favourite attractions from remote location to show the world what is to be like been there

Results

- Emails, photos, videos, animated lobby screen promotion and postcards were received
- More than 150 submissions (photos, videos etc) were received and added to job openings at Madison

Strategising Employer Branding

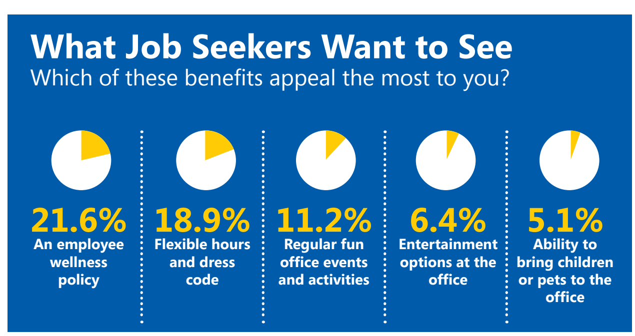
Just like social media has revolutionised the way people look at and select their favourite brands, employees too have become tech-savvy. Candidates often scrutinise an employer's profile on digital touch points even before they appear for an interview. This clearly signifies the importance of recruitment advertising in today's fast-paced world.

In order to understand how the organisations are responding to this paradigm shift, HBR asked more than 2,000 key decision makers including CEOs, marketing and recruitment heads from eighteen countries. In this survey, the respondents were asked to share their opinions about employer branding.

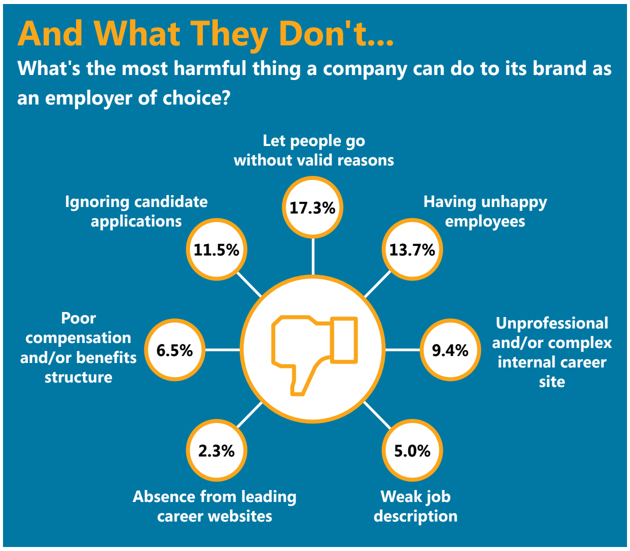
Amazingly, one of the major findings from the survey was that many senior executives consider the CEOs and marketing heads to be primarily responsible for building up an employer brand instead of the traditional thought where recruiter or HR head plays this role. Many of these companies are now working on their 2020 vision, of which employer branding is a critical part.

In today's challenging times where everything is changing rapidly and only the fittest survives, employer branding is not an exception and companies should adapt themselves according to what job seekers desires in order to attract the best talent.

What Job Seekers Want to See in a Company

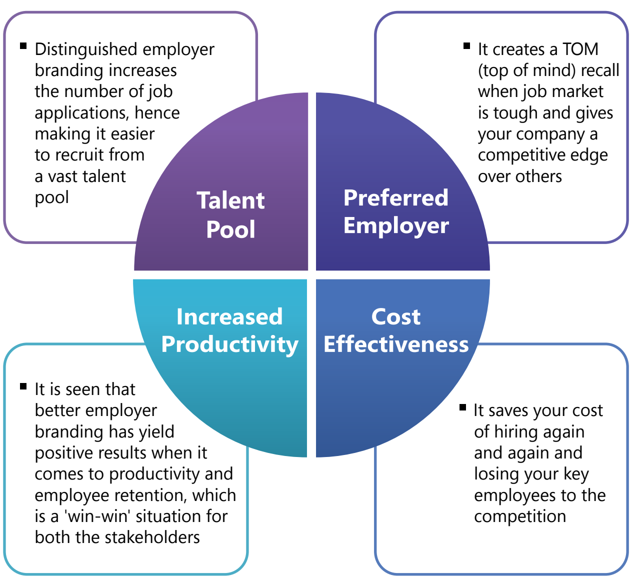


What Employees 'Do Not' Want to See in a Company



Source: As per survey conducted by Bayt.com for MENA Region

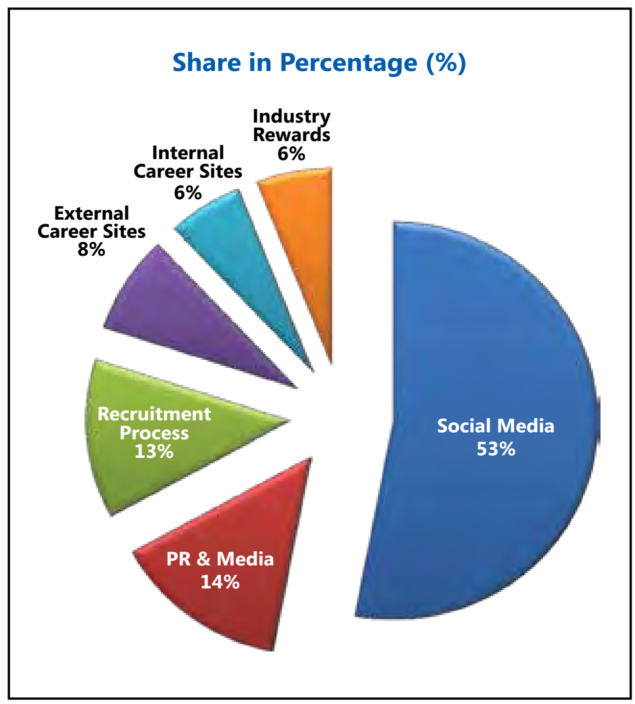
Benefits of Employer Branding



Strengthening Employer Branding

Monetary & Non-Monetary Rewards	Use monetary and non-monetary rewards to keep your employees motivated and happy
Appreciate Employees	Prepare and update a list of employees (weekly/ monthly/quarterly) you think are contributing the most in order to appreciate their hard work
Promote Organisational Culture	Make sure everyone is well-aware of the organisational culture and is contributing their part in maintaining it
Visualise Success	Do not just tell your employees to be successful, show them what the actual output will look like once they succeed in attaining their goals
Welcome New Employees	Whenever someone comes on board, introduce them with the existing employees in person and via email
Offer Career Development	Do not just focus on pleasing employees with temporary benefits, make a proper career development plan for them and consider it as an investment for the company
Take Feedback	Employee surveys are best for analysing your current market position. Tweak your strategies accordingly to meet your goals

Top Channels for Employer Branding



Source: As per survey conducted by Bayt.com for MENA Region

Brand Yourself Before it's Too Late!

In a nut shell, it is high time that organisations start to get out there in the public and give potential talent some concrete reasons to join them. While globally senior executives are devising strategic plans to attract the right fit, our country is far behind the expectations. Although very few blue chip organisations are doing it but there is still a big room for improvement in order to implement this important initiative. Brain drain, unsatisfactory educational system and shortage of specialised skills are just few of many factors that are keeping the organisations from realising their goals. Once they attain the position of being an employees' 'favourite' or 'preferred' employer, there will be no looking back. Remember, it is never too late to start (or start over)!

Sources: https://www.kornferry.com/institute/next-generation-employer-branding-3-ways-your-employer-brand-could-be-doing-more; http://www.albawaba.com/business/tips-building-strong-employer-brand-863280; https://hbr.org/2015/05/ceos-need-to-pay-attention-to-employer-branding

Recruitment: The Good, the Bad & the Chosen One

When an individual considers working for an organisation, it matters. This is an important component of as an overall brand, and it is protégé of both, the existing and the past employees of an organisation.

Reputation of an employer in the market as a brand is not completely within one's control. Actions of the employer, what they say, how they say it and where it is said, whether it is online, in their own office, workplaces, advertising, relationship with investors, internal communication or word of mouth have significant influence. All of these things combine to create a perception of what an organisation is like as a place to work.

Employer branding is a critical part of any recruitment strategy, it can clearly provide added advantage. A company with positive brand image tend to get twice as many applicants as company with negative brand.

As it goes in advertising, specific brands uses specific technique to target a specific audience. Weather the target audience is a male or a female, student or a professional, educated or illiterate, unemployed or employed. Similarly, in workforce, employees can be classified into categories: The baby boomers, generation X and generation Y; and when it comes to recruiting, they all have differences on their working habits that should be targeted and treated differently within the workplace.

The choices

The **baby boomers** are known to be loyal to one job and are known to have longer job retention. They are people born between 1946 and 1964. They are usually perceived as hard-working, committed and career focussed, which sometimes gets them a name for being workaholics by the other generations. They have a lot to offer the business with their vast experience.

The **generation X** includes people who were born between 1965 and 1980. People who are a part of the generation X are typically attracted to organisations that provide a stable and flexible work environment. This generation occupies a massive 60% of the current workforce. Generation X possesses an entrepreneurial spirit and in contrast to the generation before them, embrace change in the workplace.

The **millennials** are the ones born between 1980 and 2000 and are just starting to emerge in the workforce. This is a fast growing population in the workforce and organisations need to learn how to fit their needs. Generation Ys, or the millennials, are more fitted to work in teams; they like collaboration. Practically born with a mobile phone strapped to their ear and a laptop in their cradle, millennials are totally comfortable with digital technology. Excellent multi-taskers – they've had to juggle school, soccer training, dance class, computer games and other social interests, all whilst sending text messages – they are impatient and require instant gratification as they have always had all the information they need at their fingertips via the Internet.

The scenario

Baby boomers are about to call it a day; their positions need to be filled appropriately. Appealing the top talent will only become more difficult, so it is critical for companies to promote themselves and make request to the right candidates. It has been predicted that millennials will become the major chunk of workforce in the next few years.

Recruitment process could use an overhaul if younger and newer talent are the target. So now more than ever, it's important to build a positive employer brand.

The recruiting personnel often say that the purpose of a first interview is to get invited back for a second interview. But, does every candidate who interviews with an organisation wants to be invited back for a second interview? Each encounter with the company influences the candidate's perception of an organisation, which impacts organisations ability to stay in control when deciding which candidate to hire. Employer brand and candidate experience is inseparable, and they matter greatly for recruiting and retaining talent.

Generational differences in work related characteristics and expectations

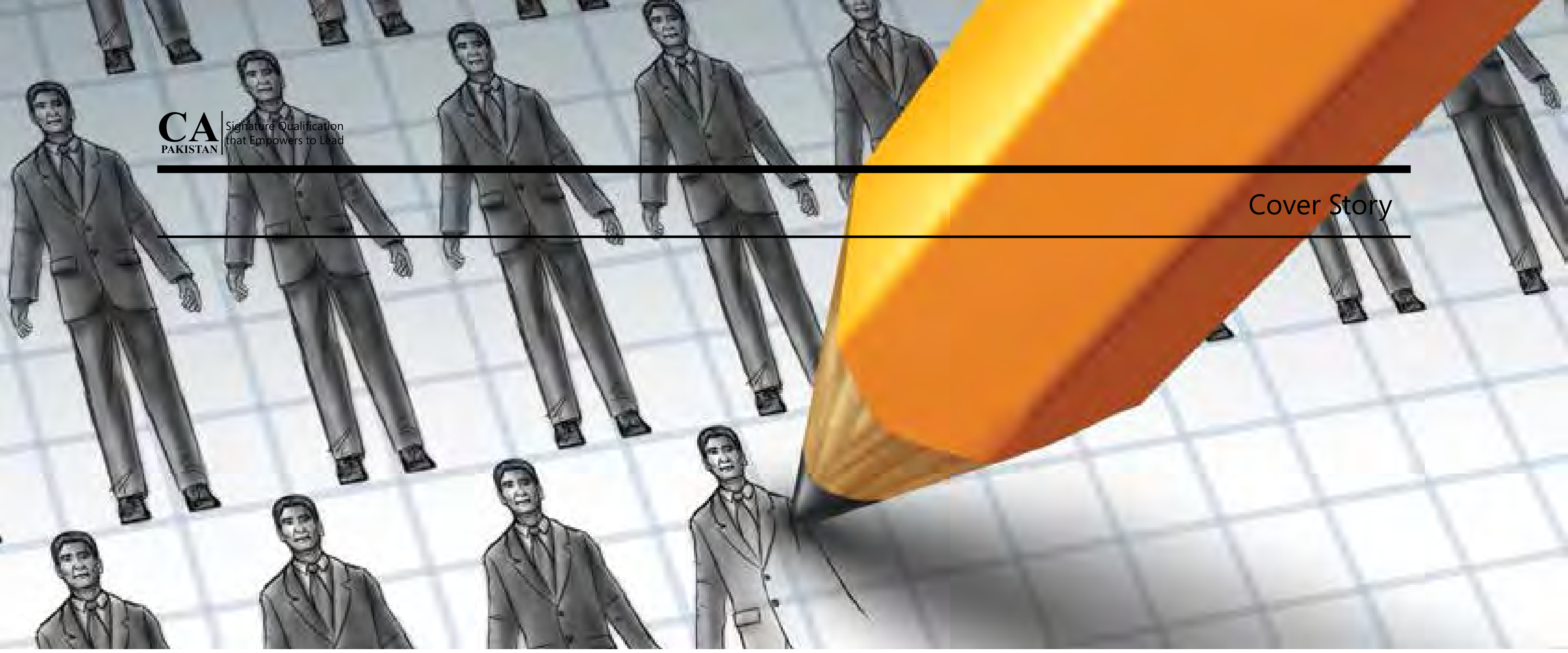
	Baby Boomers	Generation X	Generation Y
Work ethics	Workaholic	Only work as hard as needed	▪ Work only if work-life balance is met ▪ Multitasking
Attitudes towards authority/rules	Some may still be uncomfortable interacting with authority figures	▪ Comfortable with authorities and are not impressed with titles or intimidated by them ▪ Find it natural to interact with their superiors	▪ Believe that respect must be earned
Expectations regarding respect	▪ Special treatment ▪ More weight given to their opinions	▪ Want to be listened to ▪ Do not expect deference	▪ Want to be held in esteem ▪ Want to be listened to ▪ Do not expect deference
Preferred way to learn soft skills	▪ Peer interaction and feedback ▪ Classroom instruction - live	▪ On the job ▪ Assessment and feedback	▪ On the job ▪ Peer interaction and feedback ▪ Discussion groups ▪ One on one coaching ▪ Assessment and feedback
Work-life balance	Sacrificed personal life for work	Value work-life balance	Value work-life balance
Perceived elements of success in the workplace	▪ Organisational skills ▪ Get along with people	▪ Willingness to learn new things ▪ Speak clearly and concisely ▪ Meet deadlines	▪ Use computers ▪ Meet deadlines ▪ Multitasking ▪ Willingness to learn new things
Top developmental areas	▪ Leadership ▪ Computer training	▪ Leadership ▪ Skills training in areas of expertise ▪ Team building	▪ Leadership ▪ Problem solving, decision making ▪ Skills training new areas of expertise
Top values	▪ Family (45%) ▪ Love (27%) ▪ Integrity (32%)	▪ Family (67%) ▪ Love (32%) ▪ Integrity (24%)	▪ Family (73%) ▪ Love (49%) ▪ Spirituality (28%)

Source: http://rtc.umn.edu/docs/2_18_Gen_diff_workplace.pdf

Employer branding is a critical part of any recruitment strategy.

Targeting and attracting the right talent means less work sourcing and decreased turnover in the long run. Organisations strive to create experiences that are exciting and relevant to their audience – whether it's in the form of a timely tweet or an interactive outdoor activation. Think about what you can do or say that will charm candidates – what will make your company stand out from the rest.

References: http://www.careerfaqs.com.au/; www.testup.com/blog/differences-in-hiring-between-the-generations/; http://www.theatlantic.com/; www.forbes.com; rtc.umn.edu; business.linkedin.com



Employer Branding: External Image

Employer branding – the process of promoting a company, or an organisation. It is about establishing the character or reputation of an organisation as a place to work, largely by aligning recruiting and external HR practices with the 'brand' reputation of identity that the organisation wants to have. It is primarily about creating a sense of place, 'what it is like to work here' as a way to attract not only potential employees, but more specifically the kind of employee that will fit well within the organisation.

When an organisation attracts the right kind of potential employees, the cost of on boarding, socialising and training these new employees is reduced. Establishing an appealing internal and external employer image necessitates the understanding of both talent's and the company's needs and wants.

The intent of employee branding is always the same: to get employees facing inwards and facing outward to display, perform, and enact 'on brand' behaviours. But there are different ways to achieve this goal. Organisations can ask employees to comply with certain expectations about their behaviour, and they can train or teach employees to internalise the desired attributes so that these attributes are expressed in the employees' behaviours as though the attributes belong to the employees' themselves.

A positive employer brand communicates that an organisation is a good employer and a great place to work. It also affects recruitment of new employees, retention and engagement of current employees, and the overall perception of the organisation in the market.

If we define it more precisely, employer branding is the process of:

- Positioning or promoting an organisation
- To a desired group of talent/professionals as an employer of choice

The process of building a strong employer brand is concerned with:

- Attracting the best industry talent
- Fetching and retaining talent
- Corresponding the rewards and benefits offered to employees in return for their performance
- Identifying unique policies and programs to demonstrate a company's commitment to employee comfort and development
- Employer branding is, in a nut shell, continuously improving the understanding of unique employer traits
- Sustaining the brand as a living identity
- Showing strong commitment towards people
- Establishing the company as an employer of choice

Employer branding can be utilised both externally to attract potential employees, and internally to escalate commitment and loyalty among existing employees. In the context of recruitment, employer branding can make the process more effective. For the employer brand to be dependable and successful, the consistency between the internal values and the external image is vital.

References: www.managementstudyguide.com; www.universumglobal.com; www.diva-portal.se

A positive employer brand communicates that an organisation is a good employer and a great place to work.

Employer and Employee Branding: HR or PR?

The notion of corporate branding puts greater emphasis on organisation's employees' attitudes and behaviours. This notion has given rise to internal branding and employer branding, with a close association between employees' values and corporate brand. Very few studies have conducted to offer a platform by which both the concepts could be synergised to attain a robust and reliable corporate brand for the organisation.

Introduction

A robust and promising corporate brand is a powerful navigational tool to a variety of stakeholders, which comprises the existing and potential employees along with the shareholders. It shows that efficient corporate brand management requires to stabilise internal and external orientation. The significance of existing workforce and internal stakeholders has expanded in business literature as employees are vital for effective corporate brand management, internal branding and employer branding strategies. Internal branding mainly target the branding concept implementation inside an organisation to confirm that employees convey the brand promise to the external stakeholders, while employer branding confirms that an organisation recruits the right people for the said purpose. However, the association among corporate, internal and employer branding are yet to be fully explored in future studies.

Pervious literature examine these theories (corporate, internal and employer branding) without describing how these concepts could be implemented together to ensure the reliable corporate brand practice for the organisation and how these concepts of branding are primarily correlated. It is difficult to figure out, without knowing their interdependence, how a reliable corporate brand can be achieved, and how these correlations may differ by kind of industry and market.

The Concept of Corporate Branding

Organisation corporate brand is an obvious promise between an organisation and its key stakeholders. It is essential that the promise is kept at all times, at all levels of the organisation. All features of the organisation's character should be made known in a clearly defined branding proposal, which supports the efforts of the organisation to connect, distinguish, and enhance the brand among key stakeholders and networks of the industry.

Corporate branding is a strategic management of symbolism, behaviour, and communication in order to achieve a promising and encouraging reputation with target audiences. More precisely, the organisation behaviour features to the employees' behaviours in carrying on corporate brand promise. The corporate brand is a promise between an organisation and its prospective and prevailing customers, the promise has to be understood within the organisation. It needs to be infused throughout all activities of the organisation. Efficient and powerful communication is crucial to prosperous corporate brand management. Organisation's corporate vision and employees' values must be associated efficiently so that a brand promise and values delivered by existing employees can help the communication of a reliable brand appearance and its relations to external stakeholders.

Considering organisation brand as a promise emphasises on enticing and retaining customers. The corporate brand promise is the understanding of corporate identity and culture of the organisation. As corporate identity signifies what the corporate brand is all about as it covers the organisation's philosophy, goals and standards. Moreover, corporate identity works as a link among the organisation and its customers. It builds a sense of distinctiveness for an organisation that can be used as one of the bases of differentiation and signifies the foundation of a corporate brand.

The employee behaviour has a major impact on how external stakeholders observe the corporate brand and its uniqueness and appearance in the market. Existing employees have the power to make or break the organisation's corporate brand. So, close association of employees with the brand standards may give a sustainable competitive advantage to the organisation. Additionally, it is imperative to encourage current employees as well as enticing and recruiting the right candidates for the organisation growth in terms of employer branding.

Importance of Internal Branding

The organisation workforce influence on current and prospective customers and other stakeholders' brand insights through their role in carrying both functional (what are distributed) and emotional (how they are distributed) brand standards are very essential. Efficient distribution of the corporate brand promise is dependent on every employee, each service confrontation may possibly lead to variability of the corporate brand experience. The organisational assumption is that each employee must deliver and receive excellent service to ensure the best possible service to customers. This shows the idea of effective internal branding, which suggests that both customer dealing employees and back office employees are imperative to guarantee the steady distribution of the brand promise. Each worker of the organisation needs to know about the corporate brand values. If the organisation attains this, workers satisfaction for their roles and their pledge to delivering the brand promise will rise. This determines the significance of current employees and internal branding activities in attaining overall corporate brand reliability and that an internal branding proposal should be managed and applied together with a corporate branding strategy.

Employer Branding

As internal branding concerned with the delivery on brand promise, organisations, as part of the corporate brand management process, have started to recognise the importance of hiring employees whose beliefs fit with the organisation. This strategy is attained through developing an employer brand which makes the organisation perception, in the labour market, as a desired place to work with. Organisational employer branding creates a distinction among other employers contending for talent and to attract candidates who preferably possess similar values as the organisation. Employer branding offers an organisation with the benefits of growing candidate quantity and quality along with organisational performance.

Integration of Corporate Brand to Employer Brand

Consumer, corporate, and employer branding have similar features. Like a brand has to be obvious, pertinent and booming, and exclusive. Additional resemblances between corporate branding and employer branding can be observed when considering **the promise** made between the organisation and the stakeholders. An employer brand can be viewed as a cognitive agreement between an employer and employee, and equally the literature has also measured a brand as a promise from an organisation to customers. For this promise to be fruitful in an employment situation, the employer brand proposals should be established to ensure that the rational and emotional benefits are consistent with prevailing and prospective employees' expectations.

According to literature, possible candidates match their needs, personalities and values to the employer brand image, which is expressed on the organisation's intent statements to entice prospective workforces. If an organisation fails to carry their employer brand promise to new recruits, it shows that the post-entry staff performance will be adversely affected and employee turnover will rise. It means that it is necessary to provide accurate brand messages about the organisation's philosophy, uniqueness, and standards to potential contenders so as to form a realistic cognitive contract that can and will be reflected by their employment experience.

Connecting the Theories (corporate, internal and employer branding)

Employer branding aims to communicate to both potential and prevailing employees that the organisation is a desired work place. Organisations, during the recruitment process, should enhance the process of person's values with the organisation through effective communication. The main emphasis of the employer branding is how an organisation communicates its brand externally to possible recruits rather than how this should be done to current employees internally. Also, the internal branding focuses on the present employees, i.e. internal stakeholders, but could not analyse how this staff could be recruited from an external labour market. So, alignment of internal and employer branding is necessary to ensure that efficient corporate brand management is accomplished. Furthermore, since a corporate brand promise is derived from the organisation's identity and philosophy, and the corporate brand standards should act as a model for both internal and employer branding. Coordinating internal with employer branding should lead to a faster working association between the HR and marketing functions and finally a growth in organisational performance and a strengthened corporate brand.

Conclusion and Implications

The correlation that exists amid the corporate, employer, and internal branding theories provide a useful beginning point for researchers to appreciate the collaboration among employer and internal branding. Further, to recognise the significance of various stakeholders including current and prospective employees and customers in corporate brand management. Internal branding could be promoted and improved by employer branding and vice versa, thereby offering the options for mixing the two concepts to attain a powerful corporate brand.

To conclude the concept, corporate branding deals with promise management while internal and employer branding backed this brand promise efficient distribution. Internal branding deals internally while employer branding focuses the external factors like prospective workforce, which might also be an organisation's potential customers in future. It is important that the employer and internal branding actions should exactly be based on its philosophy and standards, therefore, highlighting the need for a unifying framework across HR and marketing. This will guarantee that the corporate brand delivers reliable experiences at every point, while adjusting to the changing business environment.

Employer brand: The Need of Time

Employer branding spreads to each phase of an organisation/company – recruitment and employment processes like onboarding, training and development, career planning, incentives and benefits to exit and terminating procedures and processes.

The employer branding business took enormous strides in 2015. Various conferences and research studies were carried out around the globe. Business merchants across different sectors like HR consulting, IT and branding agencies made it a key part of their business expansion strategy. Similarly, 2016 has seen the same trend in progress. Numerous leaders and key players of the business industry celebrate the employer brand excellence around the world.

The employer branding concept is a process of an organisation's brand image constructed by an employer through years of hard work and tireless efforts. The brand has the ability to attract potential workforce with viva voce promotion to seek pride in being a part of the organisation's vision in the long run. A powerful employer brand conveys about the organisation's norms and culture, and working attitude to attract potential talent by offering worker friendly benefits and policies to secure ranking in the market as an outstanding work place with countless career opportunities.

Employer branding spreads to each phase of an organisation/ company – recruitment and employment processes like onboarding, training and development, career planning, incentives and benefits to exit and terminating procedures and processes.

In this severely competing business environment, a good employer branding strategy can aid organisations to allure potential talent and command a top space in the competitive industry. Enticing huge pool of potential talent boosts brand visibility, thus offering opportunities for the organisation to select the best suited applicants with enough experience and expertise to be a part of the organisation's brand wagon.

Likewise, more employee commitment with the brand aids build a highly faithful workforce who are not easily attracted by the competitor organisations. This helps organisations save on costs acquired on hiring and training new workers.

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Employer branding changes in line with economic growth like various management processes. Countries' economies will reap benefits with investment in people, technology and the supporting systems and processes in the long run.

Following are the key focus areas that organisations should consider to take their employer brand approach to the next level in 2017.

1. Outline the organisation scope and its objectives

Large organisations have made substantial growth during the past few years by clearly outlining the scope of their strategy and creating metrics to measure investment returns and show how a robust employer brand makes value in the market. Such organisations have also established devoted employer brand leadership functions to achieve the strategy in the long run.

2. The need for change management

Constructing an employer brand strategy will need a degree of change management, but at what percentage the change is required is solely dependent on organisational size, nature of industry, phase of lifecycle and existing employer brand health and position in industry. Successful organisations are engaging potential leaders to perceive value of change at first and later device policies accordingly to overcome resistance at all stages of the process.

3. Train potential leaders for brand specific branding

In high performing organisations senior leadership team formulate the business for the purpose of investing in employer branding because it provides value for alluring potential talent, their engagement and retention with the organisation. Successful organisations strive to implement a powerful strategic approach to employer branding.

A decade ago, businesses have very less information on branding and specifically on employer branding, how to process it or various case studies of companies that implemented it effectively. But today, in 2016-17, there is huge information available not even in books but on the web and on websites of various companies that can assist to train leaders on the significance of an employer brand strategy. It is expected that in 2017, more potential leaders will look for training to enhance their competencies on employer branding and beyond.

4. Focus on experience

Many organisation focused on customer experience as a key differentiator for brand experience success. But, what's been overlooked has been the employee role in the association among organisations, customers and profitability.

Employees played a vital part to the customer experience and organisations must implement an integrated approach towards brand experience if they are to stay pertinent to the requirements of customers and the talent that drive these experiences.

Employee relevant experience goes beyond employee engagement and employee satisfaction with the organisation. It is important to look how organisations interact with employees on a daily basis, because, it shows the impacts on a number of lagging indicators like employee turnover, detachment and trust deficiency.

For 2017 strategy, organisations should assess their employee experience and formulate strategies to address the gaps to ensure a steady and aligned experience across the employment lifecycle along with their employer brand strategies.

Employer branding, as a matter of fact, is bigger than just a recruiting process. Applied and executed effectively, it can bring in transformational results in years to come. Organisation leaders who are driving the strategy devote considerable time educating their potential leadership about the significance and benefits of employer branding and how it would contribute to attract and retain potential talent needed for its development.

5. Empower your employee

The world is continually changing and shifting and life has got increasingly busy for people around the world. Today's workforce is now available on 24/7/365. Organisations should train their existing and potential leaders to better manage work flexibility and encourage time off for staff to be present at their important family occasions. In this way, the organisation will get Return on Investment (RoI) in performance and attitude ten times over than expected.

An organisation should empower workforce to better control their time on and off the working hours. Flexible working hours, work from home, part time, shifts, etc. should be the creative ways to keep the employees involved and dedicated – and these ways should be offered to everyone to meet their differing needs and situations.

6. Reward and recognition

According to business literature, workforce performs better when the reward and recognition is significant and determined. Organisations should make reward and recognition part of its cultural norm and for this, they should device purposeful strategies to train their leaders accordingly.

7. Implement diversity

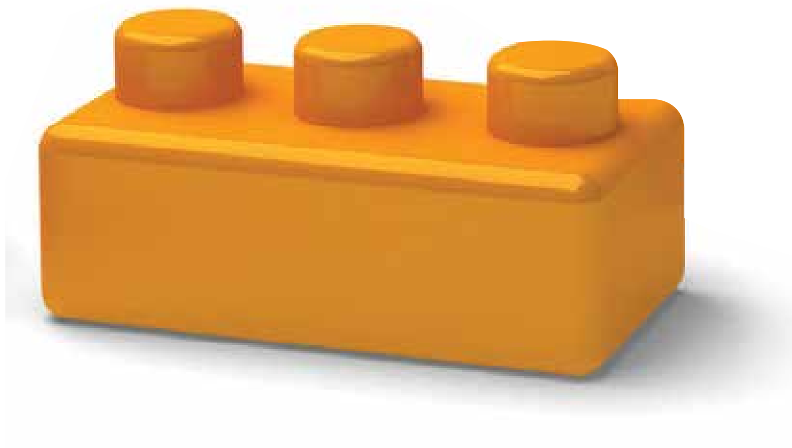
Organisations around the world are focusing more on diversity. In 2017 organisations' will learn more from successful organisations' strategies by which they have innovated and implemented a diversified workplace. Diversity should be a part of the organisation strategy which includes all minority groups impacted by age, gender, nationality, culture, religion, background, and appearance to build an effective and successful organisation.

8. Implement employer brand marketing

Content is everywhere in 2017 and people are hungry for more. Developing brand specific contents are the powerful initiatives that are usually part of most successful organisations. So, organisations should cultivate and implement their branding content marketing agenda that adopts a long term approach to showcase the organisation.

9. Participate in employer branding events to establish networking

Anyone can't possibly have all the required skillset, experiences or competencies they need to grow a successful organisation. It is essential to attend events where key players in the employer branding industry connect, who could be beneficial for the organisational growth and from whom the potential leaders will learn diverse approaches to employer brand management. This networking would be beneficial for leaders to provide a platform



that they could connect with and continue to learn and engage with well beyond the specific event(s).

10. Treat employees like family

Organisation should train their potential leaders and staff to use some of the soft skills in their interactions with other employees to improve the working environment. In this way, the employees feel empowered trusted and respected.

11. Implement technology

2016 saw huge investments in technology by big organisations which make life less complicated, more manageable and gives staff back some of their time to make better decisions and encouraged to achieve their goals. In the long run, this investment decisions proved to be good for individuals, organisations and society as a whole.

12. Educate potential leaders to learn market trends

An organisation should conduct a market analysis including all the details of the key political, economic, social, technology, and other trends impacting on the field of employer branding, and to ensure that the organisation is in the right direction, to respond to these trends in the development of their employer brand.

Conclusion

Organisations should encourage their senior management as well as their potential workforce to develop these competencies as it is becoming increasingly important as the businesses are moving towards 2020 when technology and networks will play a much important part in how an organisation functions.

Today, we are living in a world where uncertainty is certain. People are now more connected, striving for enjoyment, satisfaction and success in their work. At the same time, organisations demand more for less and at a faster rate than the previous year.

Success of an organisation is now more dependent on competent leadership, effective communication and fair reward and recognition practices. Implementing all these strategies help organisations to navigate their way through the challenges of 2017 and beyond.

CA's Personal Branding

by Mudassar Ghulam Nabi

Although, being a chartered accountant is enough to introduce one's competency and professionalism but now in this digital age, time has come to make you a brand. What do you wish for people to think about you when they think of your name, how do they perceive you as a person or as a professional? Once you understand how you wish your personal brand to be perceived, you can start to be much more strategic about your persona. It does not mean you wish to be a super human or something like that, but this is a wish for shifting your causal look to a valuable personal brand that is recognised with certain personality traits and certain professional expertise in the minds of people even when they are not associated with you in person. For a high profile personal branding, certain investments are required.

A. INVEST IN YOURSELF

"Investing in yourself is the best investment you will ever make. It will not only improve your life, it will improve the lives of all those around you." – Robin Sharma, Canadian writer and leadership speaker

It means, in our financial terms, that investment in yourself (by time or money) generates the highest RoI (Return on Investment) – whether you are working in an organisation or leading one. There are several ways to invest in yourself but before going further, I wish to consult our book of wisdom (Al Quran) to find out what are best ways to get highest RoI instead of sheer loss.

Guidelines in Quran for a successful investment

By the Time! Man is surely in loss, except those who believed (1) and did good works (2), and exhorted one another to Truth (3), and exhorted one another to patience (4) (103: Surah Al Asr)

In this brief and comprehensive message, four success factors are discussed. I link this guidance to a metaphor of a businessman for our understanding. For example, a person starts some business and we know that starting a business requires set-up expenses, initial loss. It will remain in loss unless that businessman is following those four rules of success while effective use of limited time and scarce resources:

S. No.	Success factors for a businessman	Success factors in Quran
1.	Business is legalised (believed in incumbent rules and regulations)	Believed
2.	Going forward with good ideas, strategies & taking good decisions	Did good works
3.	Deal with stakeholders honestly & truthfulness and be trustworthy	Exhorted one another to Truth
4.	Deal with unfavourable events with patience and be consistent	Exhorted one another to patience

Quran guides us and highlights four prerequisite of success in every field of life while emphasising the importance of time.

Following are some of the areas of investment in yourself:

- **Build your trust:** say truth/be honest whether it yields short term loss, although it will be an investment for the future. “If people like you they will listen to you, but if they trust you, they’ll do business with you.” Zig Ziglar – American author, salesman, and motivational speaker
- **Build your confidence:** trust yourself, acquire new knowledge and skills, join toastmasters club for communication and leadership skills, etc.
- **Build your knowledge repository:** reading books, newspapers, trade journals, blogs, attend seminars/workshops, online courses, speak with power of knowledge.
- **Build your capacity:** take initiatives, learn new skills, make new friends, visit new places, meet mentors, start new business, write for some newspapers or journals, take feedback.
- **Build your muscles:** adopt healthy routine, eat healthy food, think positive, be health conscious, be happy.
- **Build your concentration:** do one thing at a time, say mindful prayers, listen carefully, act wisely, decide timely.
- **Build your relevancy:** stay relevant about new changes in IFRS, standards, laws and regulations, your industry related matters, e.g. innovations and technologies.
- **Build your network:** meet and greet with smile, attend events, be part of taskforce/committees, mentoring others, be flexible and adaptable, be attractive, be humorous, be grateful.
- **Build your image:** dress up nicely, be generous, good posture, use good words, always be thankful. “Be Yourself, Everyone Else is Already Taken.” – Oscar Wilde, Irish playwright, novelist, essayist, and poet
- **Build your objective:** all planning and actions may be linked with the objectives (life or career), so write your objectives and continuously follow up on the achievements and work to be done. “Life isn’t about finding yourself. Life is about creating yourself.” – George Bernard Shaw, Irish playwright, critic, and polemicist
- **Build your story:** do things differently, connecting dots among your strengths, weaknesses, opportunities and threats. “If you don’t give the market the story to talk about, they’ll define your brand’s story for you.” – David Brier, design and brand identity specialist

B. INVEST IN YOUR ONLINE PRESENCE

In this fast growing information technology era, a social media revolution erupts which is changing the introductory lines of a person in others’ minds. Professionals are linking with each other in all fields of life, working locally or abroad, by using social media sites and applications. We are witnessing a fast flow of information from all around the globe daily that are changing the perceptions and ideas in minds. Building a personal brand requires a lot of effort and it should be treated like a secondary job. “Start by knowing what you want and who you are, build credibility around it and deliver it online in a compelling way.” – Krista Neher, author, professor, keynote speaker and expert on social media

Following are some of the areas of investment in your online presence:

- **Appear on the right media:** use relevant technology, e.g. smart phones, tablets, create effective social media accounts, e.g. Facebook, LinkedIn, and Twitter, Google yourself to audit your web presence.
- **Build a strong profile:** give comprehensive information about yourself and get some personal recommendations from other account holders, etc.
- **Build for the whole life:** social media accounts info, posts, comments, tweets, images, groups, interests, etc. will be your introduction to the world. Use those carefully, so you will not regret anything later in your life that portrayed a negative image.
- **Engage regularly:** get updates from the friends to greet or condole timely, jump into discussions, regular post/tweet, regular profile update.
- **Build your network:** connect with the right people, beware of spies and fake profiles, your networking may be a source of opportunities.
- **Build your website:** register a domain and design an attractive website even for your profile (CV building) or blogs, it will enhance your web presence and search engine results.
- **Keep a consistent image:** always say the truth, present yourself in a consistent manner so as to control your public perception.
- **Share your constructive thoughts:** make your presence effective and not time consuming on social media, be positive and constructive, portray yourself according to your personal branding strategy.

Having said that, don't forget how important it is for you to accomplish something yourself. You can't talk about what you haven't done, because that will distort your personal brand. “Personal branding is about managing your name—even if you don’t own a business—in a world of misinformation, disinformation, and semi-permanent Google records.” – Tim Ferriss, American author, entrepreneur and public speaker

DISCOURSE

Is management excellence best achieved through external courses or in-house training and development?

Syed Nayyar Yousuf, FCA
Karachi

During my professional career in various manufacturing, trading and utility organisations, I have come across different forms of employee training, including external training as well as internal training programs. Undoubtedly human resource plays a vital role in success or failure of an organisation. Therefore, professionally managed companies invest reasonable amount on their employee's professional development.

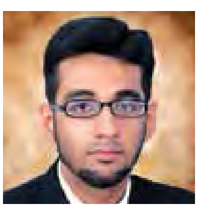
Based on my personal experience as an accounting professional, my feedback on the question **Is management excellence best achieved through external courses or in-house training and development?** is narrated in the following few lines:

There is no one set of rules for judging which form of training is more instrumental for achieving management excellence. Training managers internally is certainly a valuable and economical process, yet, in many cases, there is also someone on the outside who is better informed, better educated, and better suited to broaden a manager's collective skill sets and bring in new ways of thinking. Bringing in external parties to conduct training can yield drastic improvements in management performance, but these programs can also be costly. It's important that management should carry out a need-based assessment of training requirement, consider availability of training resources, cost effectiveness and time sensitivity before deciding which form of training is more productive for their managers.

For example, in an organisation, sending a manager to attend an external course may be more productive decision due to lack of in-house training resources and time constraint to complete a project. Whereas, in another situation, this decision may become an expensive and unprofessional one for the same manager when alternative and cheaper in-house training can be arranged for him if there are no time constraints.

Ahmad Sana, FCA
Dubai, UAE

Management excellence is a daily routine and is best achieved by hiring right talent at right position. If we don't hire right talent on first instance, then trainings will have little impact on management excellence. If we have met this criterion, then, in my personal opinion in-house on-job training is much more important than training from outside consultants. The reason is that discipline and team player abilities can only be enforced through on-job training through carefully picked mentors within the organisation.



Zuhair Akram Shaikh, ACA
Karachi

The Oracle's White Paper **Management Excellence Framework: Design to Decide** defines management excellence as: "Management excellence means that organisations create competitive advantage by having superior management processes, making organisations smart, agile, and aligned."

Over the years, organisations around the globe have realised the need for well-trained human resource staff for achieving this very objective. Now the question whether external courses or in-house training, needs some proper attention.

Training employees internally is certainly a cost effective method and a valuable process, yet in many cases, there is also someone on the outside who is better informed, better educated, and better suited to broaden a workforce's collective skill sets and brings in new ways of thinking.

A professional trainer who comes in to work with your people on site combines the best of both worlds, as he or she knows how to tailor the content to suit each client's specific needs. These professionals can quickly bring themselves up to the speed of your industry, your company and your challenges (if they're not already there), and create a training program expertly tailored to fit your situations and your needs.

To summarise, the organisations can majorly benefit by the using trainers from the outside to make a difference on the inside.

Vineet Kumar, ACA
Islamabad

My point of view is that management excellence can be best achieved through external courses as it provides an opportunity to be exposed to new ideas while interacting with fellow participants. It also gives insight of various approaches/process being adapted in different business/industries. In-house training/development does not bring in fresh ideas as management does not try to get out of an established structure.

Sadquain Nizam, ACA
Karachi

Yes, we can achieve management excellence through training and development. Training and development is important because it boosts employee morale, enhances efficiency, helps in risk management, enhances innovation and boosts the company's image. Employees are able to learn new skills which will help in making them more productive to the company. They also get the opportunity to improve on their skills in order to produce superior quality products or services.

Training and development programs can have a huge impact on a company. Like every other function in a company, training and development should be focused on producing targeted and tangible results for the business. The key is to treat it seriously and consider it a capital investment and make it results-driven.

Nadeem Iqbal, FCA
Dubai

Management excellence is best achieved through a combination of various sources which includes external courses and in-house training and development. Unfortunately, there is no one size fit for achieving excellence as it varies depending on the size of the organisation, the nature and type of market segment it operates in and the aptitude of its management. A combination of various forms of formal training programs coupled with on-the-job trainings help hone in the best of leadership qualities of the senior management. In addition, both forward and reverse mentoring are recently being practiced by industry leaders in developed markets to prepare senior individuals take up elevated positions and move to the next level.

Shiraz Noordin, FCA
USA

Managers are some of the most important drivers and sustainers of an organisation. They are integral to planning, organising, leading, and efficiently running a company or enterprise. From effective team building strategies to conflict resolution, management skills are some of the most lucrative and sought after skills in today's society. While external courses teach students of management the basic principles of management such as planning, organising, staffing, and controlling, I personally believe that true management excellence can only be achieved through in-house training and development, coupled with experience.

Skills characteristic of successful managers, such as effective communication skills, can only be built and developed through first-hand experiences rather than through studying in books or taking external courses. Furthermore, the role of a manager may be a little different depending upon the industry as well as the particular nature of the entity being managed. Hence, in-house development and training allows managers to adapt to and personalise their managing style to the culture of the organisation. In-house training also exposes managers to the inner-workings of the organisation, leading to greater transparency, which pays huge dividends when it comes to employee performance and satisfaction. And finally, in-house training allows managers to develop greater and stronger working relationships with their teams, in turn allowing for the overall satisfaction and well-being of the entire team.

Aamer Abdul Razzak, ACA
Karachi

Training, whether external or in-house, benefits only when the participant believes that it is adding value to their current and/or future role. There are pros and cons of both the methods; in-house trainings give you the advantage of customised material but it may be difficult to attract the employee's interest. Whereas external courses may look fancy and catch the interest of the employees but may not address the specific needs of the company. A good organisation keeps a balance of both the methods.

Afaque Ahmed, ACA
Manama, Bahrain

I believe both are equally necessary and should be done in combination. For instance, few selected top management executives should be trained with the latest courses offered externally and then they can train the rest of the staff with in-house as well as on-the-job training. External training is important in today's dynamic world as an organisation needs to know the new trends, ways and business process optimisation methods in market so it can continue adding value to itself through its employees. In-house training, on the other hand, is cost-effective and more organisation and task specific. Hence, to achieve the balance and best results, they both should go hand in hand.

Tamour Hassan, ACA
Faisalabad

Management excellence. Does it sound a bit corporate? Yes, it is, but this is the need of thriving business practices around the globe. An effective, efficient and result-oriented management is key to vibrant business success in the non-static world of entrepreneurship. To achieve the aforementioned status, an organisation requires a package deal, a blend of external courses and in-house training sessions and on-the-job development.

Skill development takes place most frequently through the learning we gain while performing our daily routine tasks at our job. The process leads to professional acumen and knowledge. At regular intervals, there is a need to equip the staff with latest changes taking place at an accelerated pace in the business environment. For this purpose, there is need of formally designed, target-specific training programs. These are conducted to make the management, at whatever level of hierarchy they are, more receptive of changes in professional spheres.

Finally, our interactions with external environment have impact on business progress. There are certain skill areas where an organisation does not have the necessary resources available to polish staff capabilities. Thus, in such situation, external consultants and specialists firms are hired to conduct specified courses, enabling an organisation to achieve the required proficiencies for their management staff.

As per my opinion, a professionally crafted mix of on-the-job development, internal trainings and external sessions is a sound strategy to achieve management excellence.

Asif Mahmood, FCA
Karachi

Prior to initiating a discourse on the relative leverage that external courses have over in-house training, or vis-e-versa, with regards to their influence on attaining management excellence within an organisation, it is important to note their consequent benefits and probable deterrents in an isolated individualistic basis. In-house training, in layman terms, is defined as any instructional activity provided within the organisations internal environment to its patrons for the sole purpose of developing and improving their proportionate contribution to the management function. These training programs can be conducted by trainers who are available within the organisation or they can also utilise external trainers who are invited to the organisation to conduct training seminars for the employees of the company.

External courses, on the other hand, operate in a similar capacity as the in-house training programs, the only variation arising from the location from which these courses are administered. As the name suggests, external courses are conducted out of the immediate vicinity of the workplace environment. This external locality may encompass another organisation, specialised training centres or even international courses that are offered to training delegates.

Although both the in-house training programs and the external courses have the inherent capacity to immeasurably add to the intangible skills already held by an organisation's employees, their relative impact on the tangible assets of a corporation also need to be taken into account. Generally speaking, in-house training programs tend to cost less than the external courses in comparative terms of the per delegate training cost to the organisation. This is because in-house training programs do not incur expenses such as traveling cost, maintenance fee and other such administrative expenses.

On the contrary, since external courses are by their fundamental nature held outside an organisation's immediate vicinity, utilising them to train a specified number of individuals from within the workforce involves additional expenses.

Furthermore, the training courses which are externally available are remarkably generic in nature as they cater to a wide variety of corporate clients and thus deal with the common issues which most of them face or provide training techniques which could be perceived to be universally applicable. Notwithstanding the benefits incurred through receiving this sort of generic training, the in-house training programs may be perceived to have an unparallel advantage over the external ones in this regard.

This is because where external courses deal with the general industry problems; an in-house training program may be utilised to pin point the specific operational and managerial issues which are conspicuously plaguing the corporation.

Additionally, an in-house training program can also be used to achieve targeted objectives put forth by the top management such as filling the skill gaps within the employees of the corporation's workforce.

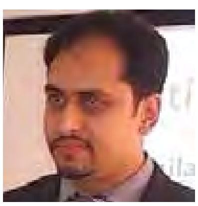
Another anticipated advantage that an in-house training program has over the external courses is that while participation in an external course requires the cessation of productive activity, at least for the duration of the training course, this is not the case with in-house training programs, which can be designed to be conducted after working hours or around the productive schedule of the employees within the corporations labour force.

This does not mean however, that in-house training programs are necessarily better than external training courses; it only means that they appear to provide relatively more convenience in terms of administrative processes for the management of a corporation. In fact, there are decided advantages which external courses have over in-house training programs.

The training courses that are externally available are often conducted by specialist professionals who have created a comprehensive framework of exhaustive techniques that have been proven to improve the efficiency of their clients. Most of these courses also offer practical demonstrations of the theoretical training concepts which the trainers provide and which encourage the employees to gain a more functional knowledge of the techniques which they are being taught.

Furthermore, since these external courses are conducted for the training delegates of more than one organisation simultaneously they can provide excellent networking opportunities for employees to interact with people outside of their organisation who operate within the same industry. This not only allows them to gain a better understanding of the industry in general, it also enhances their ability to analyse the problems which their organisation is facing in a more expansive manner.

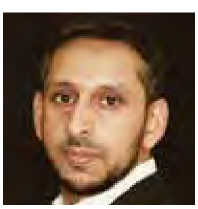
As the breakdown which has been provided in the former portion of this article suggests, both the internal training programs and the external training courses have their comparative merits as well as their deficiencies. Although the choice of it is up to the managements own discretion, it is important for them to primarily consider the objectives which they wish to achieve from a training program. Management excellence in itself is a colloquial term which is almost akin to a buzzword in the current times. Unless the management of a corporation has specific and measurable goals which it aims to achieve through the effective implementation of an overall strategic framework, neither internal nor the external courses would actually benefit the organisation.



Mudassar Ghulam Nabi, ACA
Islamabad

It requires best hiring at the top so line managers can get on-the-job training and learn by observing and doing approach. Correct hiring decisions, succession planning and professional environment itself generate opportunities and dig out best managerial practices on the surface which should be appreciated and encouraged by the top management. The node to node working bond among managerial networking system in a progressive environment is a way to achieve managerial excellence. For this, in-house training and networking sessions are required for creating a healthy culture, competitions and appreciations.

A strong internal control system, pragmatic job descriptions, responsible head of departments and high performing board of directors are the factors paramount to achieving excellence. External courses may be short term energy boosters and capacity builders but to achieve long term sustained growth climbing higher towards excellence may require strong internal infrastructure of employee training and development.



Murtaza Mahmud, ACA
Islamabad

External courses deliver greater wisdom, capacity development based on proven and matured variety of models, practices, etc. and is an open forum to talk about challenges being faced in professional life in addition to carrying more recognition.

In-house training and development, on the contrary, provides an opportunity for better employee engagement and collaboration due to large scale manageability of training activities; also offering a cost effective solution to capacity development considering available resources. Planning for such in-house training and development however, may require careful selection of case studies, examples, etc., keeping in mind the internal environment of the organisation.

Thus, management excellence is achieved through both external courses as well as in-house training and development. The catch however lies as to the purpose and type of training, its length, availability of relevant experience, resources, etc. Here, we should also be mindful that either external courses or in-house trainings, if not properly managed to bring an improvement in management style, service delivery, product quality and/or related process, etc. seldom produce tangible results thus wasting time and resources.

M Zaid Kaliya, FCA
Karachi

Continuing Professional Development (CPD) is an important area for individuals which helps them sharpen their saw and keep them up to date. As it is said, that to double the impact, triple the amount of spending on training and self-development. There are many ways of acquiring it like reading books, listening to audio books, attending seminars, conferences, workshops, webinars, etc.

Currently, there are three types of speakers/trainers in the market, i.e. expert trainers, motivational speakers, and entertainers. Entertainers have greater social following but they don't add value and enhance the skill set of employees. Better avoided or called into action in the annual get together.

Both external courses and in-house training and development are important for management excellence. There should be a combination of both. A person attending external course should try to share his learnings with his colleagues through formal or informal in-house session. Peter Drucker, educationist, trainer said: "No one learns as much about a subject as one who is forced to teach it."

Most of the people feel that seminars, conferences and workshops do not contribute to their professional development and have become a networking or get together venture. Yes, in the digital world, meeting people and developing professional network is more important than ever before. Four matters need to be considered to get benefit from conferences, workshops and seminars. First, is the training program in line with your short term or long term goals; second, review the speaker profile, whether he or she is an expert in the topic; third, note down at least three new ideas or learnings from that training and fourth, convert ideas into action.

The great boxer, Muhammad Ali once said, "I hate every minute of training, but I said, 'Don't quit, suffer now and live the rest of your life as a Champion.'"

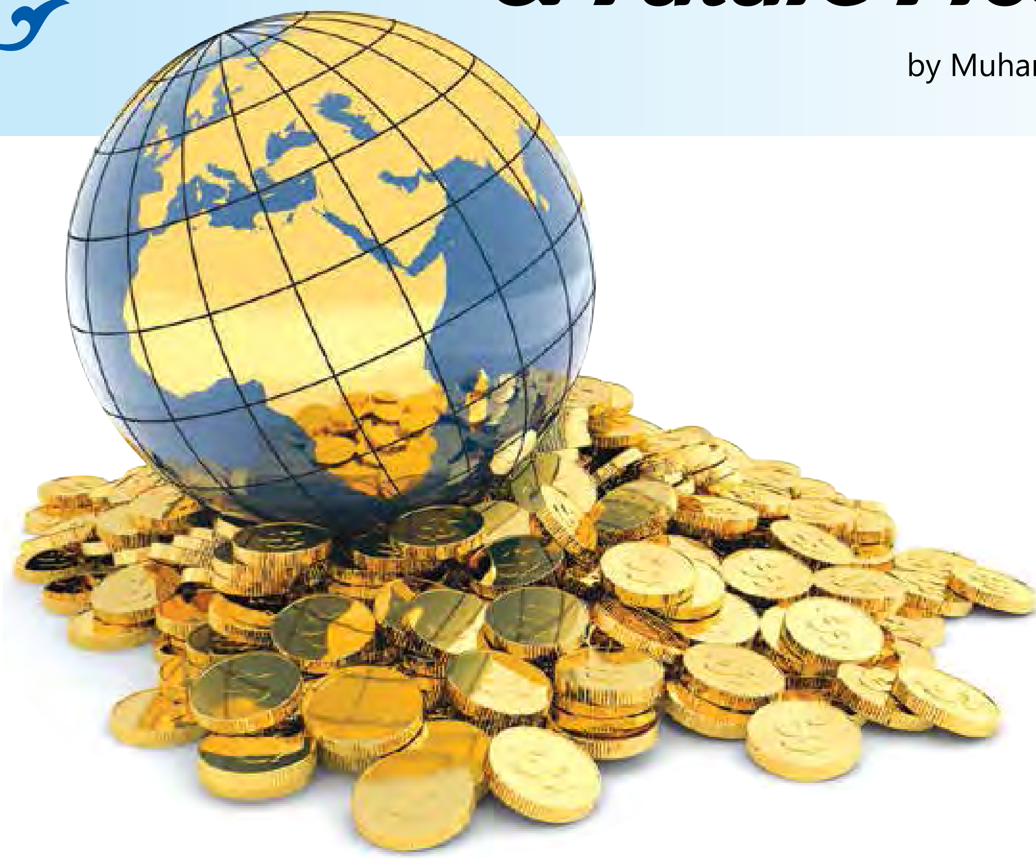
Ali Ahmed, ACA
Karachi

In-house training and development programs will certainly return home in triumph. And it is equally pertinent to probe it at length. Motivating employee to pursue multiple external courses has now become a cliche. Organisations have realised the fact, over the past decade, as to how imperative it is to design effective in-house training and development programs keeping full alignment with its overall strategy and objectives. Meticulously orchestrated in-house programs bear more fruits as it allows managers to acquire and equip themselves with most in-demand skills of their current roles. Developing leadership skills, front-line people management skills and business acumen/awareness are the skills which is lacking in the management that only relies on external courses. E-learning, orientations, on-the-job training and internal workshops are effective in-house tools to achieve positive results in the creation and enhancement of such skills in employees. Whereby, pursuing external courses are more worthwhile where an employer, who has the knowledge of succession planning of an employee and his personal development goals, can better advice on skills available for development outside the organisation.

Islamic Banking Industry – a Global Perspective

Islamic Banking in Oman – Growth Trends & Future Prospects

by Muhammad Tayyeb Raza



In past few decades, Islamic banking industry has emerged as an important segment of the global financial services industry. Islamic banking assets have grown steadily across the globe especially in the Gulf Cooperation Council (GCC) region. It has attracted renewed attention and popularity since the recent global financial crisis that severely paralysed conventional financial sector world over.

Islamic banking assets with commercial banks in international markets were approximately $778 billion at the end of 2014. It is estimated that nearly 95% of international Islamic banking assets are concentrated in nine core markets, five of which are in the GCC such as Saudi Arabia, UAE, Qatar, Kuwait and Bahrain. Other four market countries include Pakistan, Indonesia, Malaysia and Turkey. The UAE's sharia-compliant banking assets crossed $100 billion mark for the first time as UAE's Islamic banking sector became a major contributor to global Islamic finance industry.

Ernst & Young, in its World Islamic Banking Report 2014-15, has identified a league of six rapid-growth markets (RGMs) i.e. Qatar, Indonesia, Saudi Arabia, Malaysia, UAE and Turkey (QISMUT). It is interesting to note that QISMUT commanded 80% of the international Islamic banking assets at $625 billion in 2013. Islamic banking assets in these markets are expected to continue to Compound Annual Growth Rate (CAGR) of 19% to reach $1.8 trillion by 2019.

Global Islamic banking assets witnessed a compound annual growth rate (CAGR) of around 17% from 2009 to 2013. Positive progress has been has made in Indonesia, Pakistan and Turkey, with 43.5%, 22% and 18.7% CAGR respectively from 2009 to 2013.

The Rise of Islamic Banking - Sultanate of Oman Experience

Unlike other GCC states, Islamic banking is a new phenomenon to the Sultanate of Oman. Oman appears to have adopted a cautious approach towards adopting Islamic banking. However, this initiative has provided the country an opportunity to come up with a robust model that best suits Oman's unique economic and social condition benefiting from the experience of various countries which have successfully launched Islamic banking. The Sultanate of Oman has adopted the hybrid model of Islamic banking which allows establishing full-fledge Islamic banks as well as Islamic banking windows of the existing conventional banks. This model is adopted by many countries including Pakistan, Indonesia, Malaysia and Qatar but Oman has implemented this model in robust yet conservative manner.

Transforming the idea of Islamic banking into a reality, in such a short span of time, had never been experienced elsewhere in the world. Central Bank of Oman (CBO) announced to issue license for Islamic banking in June 2011. Subsequent to this decision, CBO engaged an internationally recognised auditing and consulting firm to develop Islamic Banking Regulatory Framework (IBRF). The final version of the IBRF was issued to industry in December 2012. Consequent to the issuance of Royal Decree by His Majesty Sultan Qaboos Bin Said. It is an astonishing fact that this milestone was achieved in just one and a half years. It shows that dedication and commitment leads no-where except success.

Islamic Banking Network

There are two types of Islamic Banking Entities (IBEs) operating in Oman i.e. full-fledge Islamic banks and Islamic banking windows of local conventional banks. First Islamic banking entity commenced operations in December 2012. At present, two full-fledge Islamic Banks and six Islamic Windows are offering their services to the customers.

Name of Institution	Islamic Brand
Bank Nizwa	Full-fledge Islamic Bank
Alizz Bank	Full-fledge Islamic Bank
Bank Muscat	Meethaq
Oman Arab Bank	Al Yusr
Bank Dhofar	Maisarah
Bank Sohar	Sohar Islamic
National Bank of Oman	Muzn
Ahli Bank	Al Hilal

Pre-requisite for Islamic Banking

Pre-Requirements	Brief Description
Minimum Capital Requirements	▪ For Islamic banking windows: RO 10 million ▪ For full-fledge Islamic banks: RO 100 million
Shariah Governance Structure	Islamic Banking Regulatory Framework has introduced a comprehensive Shariah Governance structure equally applicable to full-fledged banks as well as windows. The elements of Shariah Governance are: 1. Shariah Supervisory Board (minimum of 03 members with strict eligibility criteria) 2. Internal Shariah Reviewer 3. Shariah Audit Unit 4. Shariah Compliance Unit
Restriction on Tawwarruq	As a general rule, Commodity Murabaha Transactions (CMT) or Tawarruq is not allowed.
External Shariah Review	Besides annual financial audit, IBEs are bound to hire services of external auditors to perform Shariah review. This is in addition to routine internal Shariah audits and compliance reviews by the Shariah Audit and Compliance Units of IBEs.
Independent business function	Islamic banking windows are required to hire dedicated staff for business functions. Moreover, windows are not allowed to offer Islamic banking products and services through conventional banking branches.
Separate core banking systems	The Central Bank of Oman encourages a separate core banking system for Islamic banking windows that is capable of handling Shariah compliant financing and investment activities. It is also to ensure non-commingling of funds between conventional bank and Islamic banking window.
Accounting Standards	The financial statement of IBEs shall be prepared under the guidance of Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institution (AAOIFI)

Overview of Oman Banking Sector

Number of banks operating in Oman

Description	No.
No. of local conventional banks operating in Oman	07
No. of foreign conventional banks operating in Oman	08
No. of full-fledge Islamic banks operating in Oman	02
No. of Islamic banking windows of conventional banks operating in Oman	06

Financial Synopsis of banks operating in Oman

RO in Millions

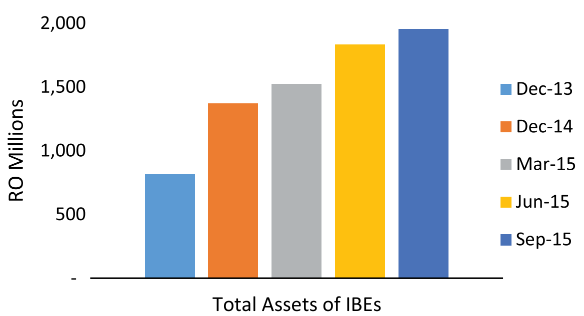
	Sep-15	Dec-14	Increase RO	Increase %
Total assets of conventional banks	27,948	24,821	3,127	13%
Total deposits of conventional banks	18,140	17,279	861	5%
Total loans of conventional banks	18,169	16,898	1,271	8%
Total assets of Islamic Banking Entities (IBEs)	1,956	1,371	585	43%
Total deposits of Islamic Banking Entities (IBEs)	1,332	689	643	93%
Total financing of Islamic Banking Entities (IBEs)	1,500	1,049	451	43%

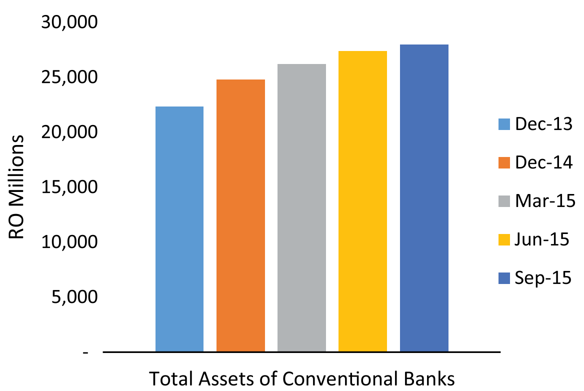
Key Financial Indicator of Islamic Banking

Let's analyse the growth of Islamic banking assets, financing receivables and investments accounts (deposits) viz-a-viz conventional banking.

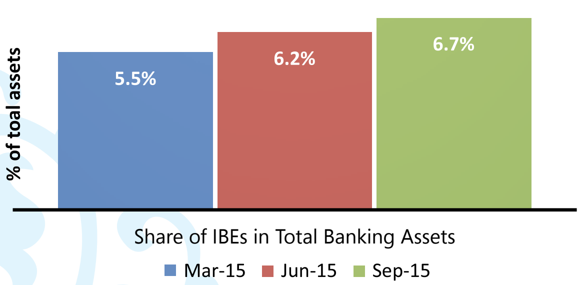
Total Assets and Market Share of IBEs

As at September 30, 2015, the total assets of IBEs stood at 1956 million compared to RO 815 million at the end of financial year 2013. CAGR of Islamic banking assets during the period (Dec. 2013-Sep. 2015) was 37% compared to CAGR of 7% for the conventional banks in the same period.



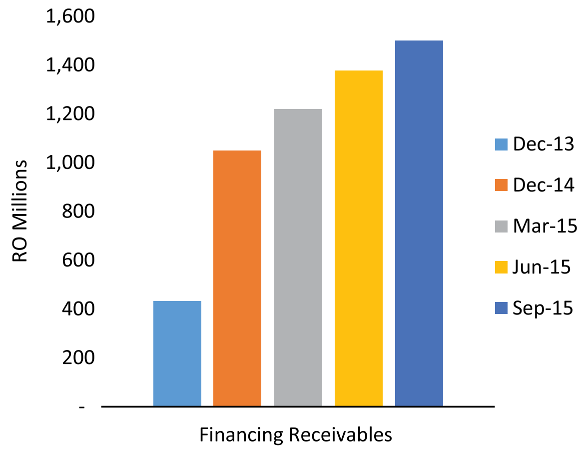


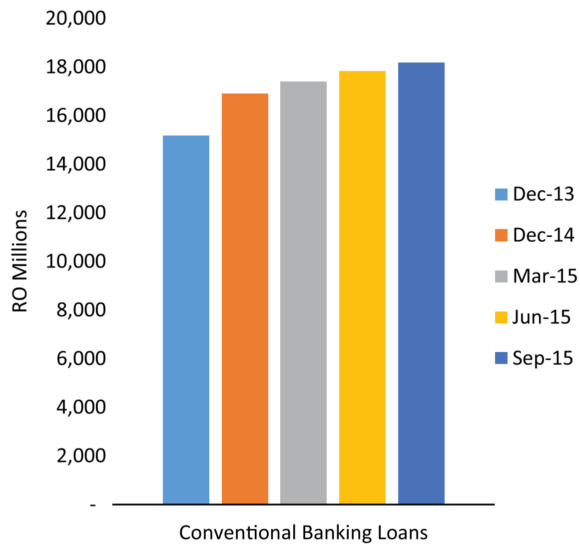
IBEs have witnessed a phenomenal growth in terms of asset since inception. As at September 30, 2015, Islamic banking assets reached to 6.5% of total banking assets. It is a great achievement by Islamic banking segment in Oman to achieve this share in just three years. For countries like Pakistan where Islamic banking is now fairly old and mature, the share of Islamic banking assets in overall banking assets was 10.4% as reported by State Bank of Pakistan (SBP) in quarterly Islamic Banking Bulletin for March 2015. Islamic banks in Saudi Arabia, Kuwait and Bahrain represent more than 48.9%, 44.6% and 27.7% market share respectively.



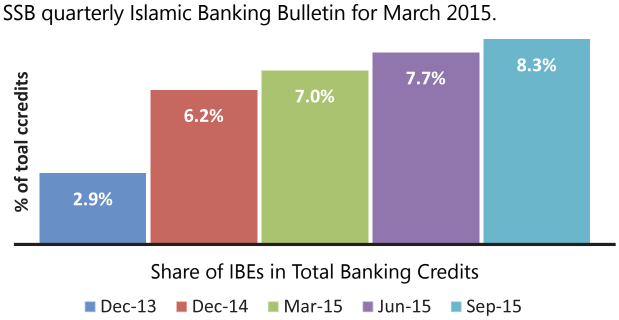
Financing Receivables of IBEs and Market Share

Islamic banking sector has achieved remarkable growth in financing receivables during the short span to time. The financing assets of IBEs grew to RO 1500 million as at September 30, 2015 compared to RO 434 million at the end of financial year 2013.





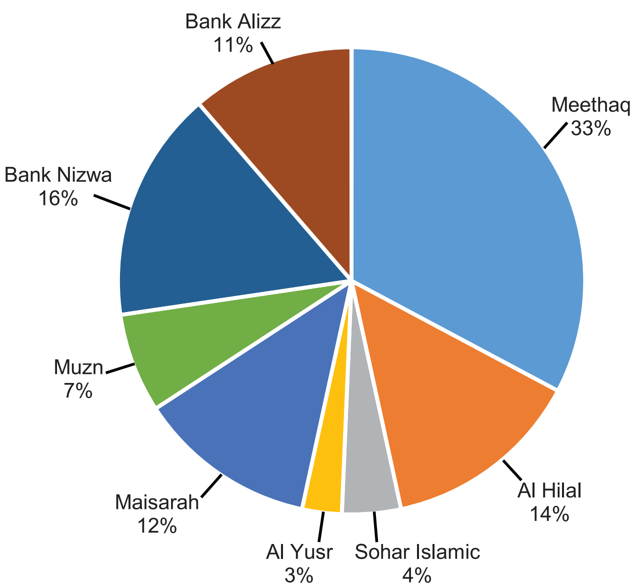
In terms of percentage of total banking system loans, financing receivables were 2.9% and 8.3% in December 2013 and September 2015 respectively. In Pakistan, the share of financing and investment assets was 7.5% of total banking credit as at March 31, 2015 as per SSB quarterly Islamic Banking Bulletin for March 2015.



CAGR of Islamic Financing Receivables during the period (Dec. 2013-Sep. 2015) was 57% which was significantly higher than CAGR of 7% for the conventional banking credits for the same period.

The analysis of market competition reveals that performance of Islamic Banking windows is better than full-fledge Islamic banks. The share of windows in financing receivables was 74% whereas full-fledge Islamic banks claimed 27% share. It is interesting to note that total capital of all windows was RO 134 million as at September 2015 compared to RO 250 million capital of full-fledge Islamic banks.

Islamic Financing - Share of IBEs

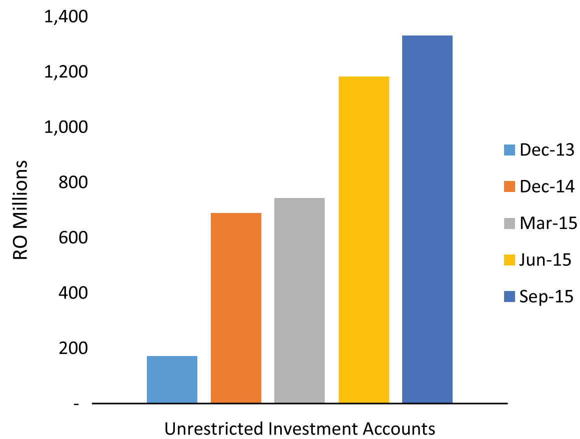


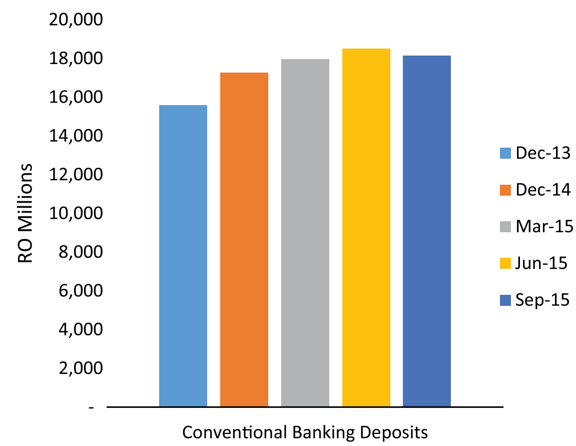
Unrestricted Investment Accounts (URIA) of IBEs and Market Share

With the growth trend in the financing receivable, IBEs achieved a commendable growth in pocketing Unrestricted Investment Accounts (URIA) from its investment account holders. An Unrestricted Investment Account can be defined as:

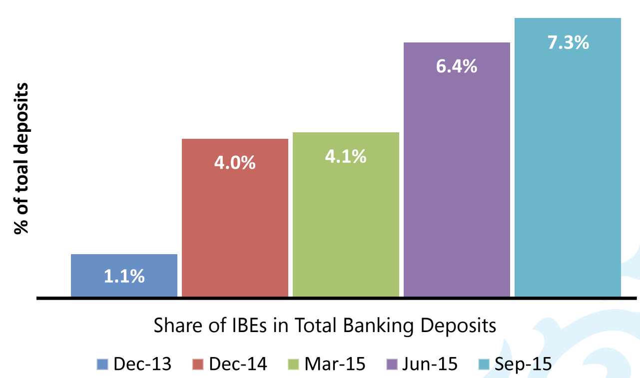
"Unrestricted Investment Accounts are those types of accounts in which investment account holders (fund providers) did not attach any conditions as when, where and how their funds can be utilised. Unrestricted Investment Accounts are discretionary funds at the disposal of IBEs for investment in Shariah compliant financing and investment avenues in the light of Shariah guidelines. Normally Islamic contracts of Mudarabah and Wakala are used to accept URIA deposits."

Total deposits of IBEs reached to RO 1332 million as at 30 September 2015 compared to RO 172 million for the year ended 31 December 2013. CAGR of URIA during the period (Dec. 2013-Sep. 2015) 111% which was significantly higher than CAGR of 7% for the conventional banks' deposit for the same period.





In terms of percentage of total banking system deposits, URIA deposits were 1.1% and 7.3% in December 2013 and September 2015 respectively. Market share of Islamic deposits as percentage of banking industry deposits was 12.2% as revealed in SBP quarterly Islamic Banking Bulletin for March 2015.



The share of windows in deposits was 76% whereas full-fledge Islamic banks claimed 24% share.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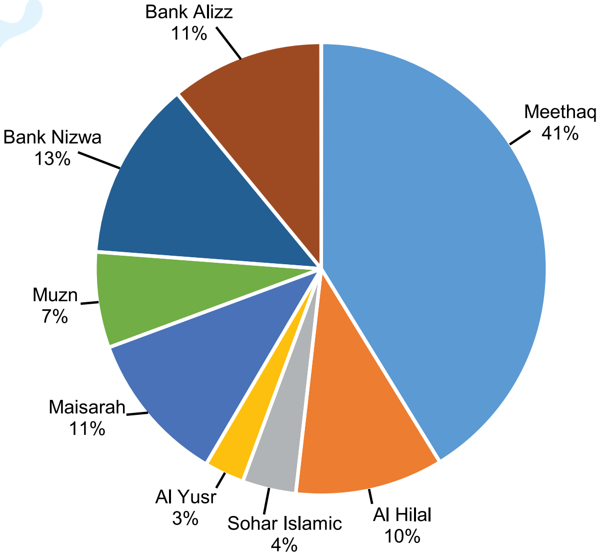
Islamic Deposts - Share of IBEs



Product Offerings by the IBEs

At present, IBEs are offering all basic products and services to its target customer base. On the financing side, Islamic contracts of Murabaha, Ijarah and Diminishing Musharaka are mostly used to structure the products.

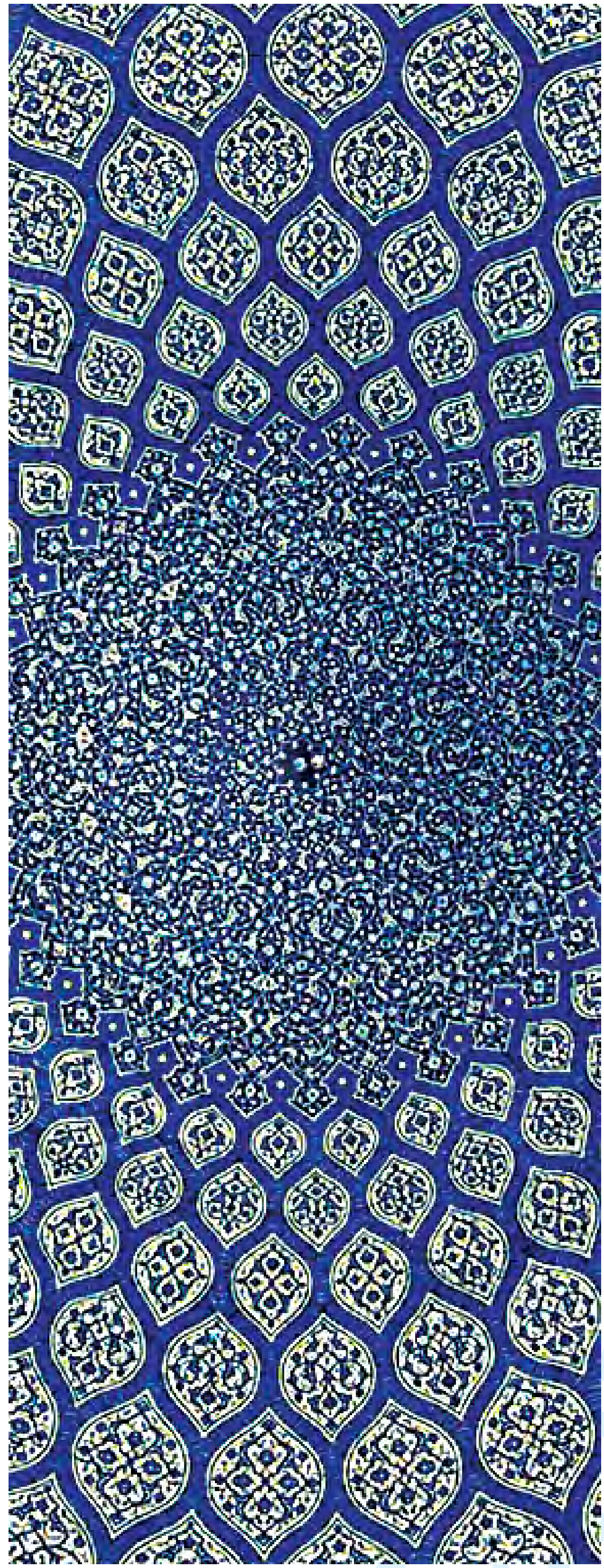
Islamic contracts of Mudaraba and Wakala are commonly used to structure deposit products.

Future Prospectus of Islamic Banking in Oman

Islamic Banking industry is rising in Oman and expected to shine in years ahead. Based on the growth trends, we can easily predict a promising future for the Islamic banking industry in Oman. However, IBEs should prepare themselves for the future challenges and react proactively.

Islamic banking assets in Oman are expected to reach 5-7 billion by the year 2018 as per Oman Islamic Finance Report 2015.

References: Central Bank of Oman: Monthly Statistical Bulletin – September 2015; Central Bank of Oman: Quarterly Statistical Bulletin – June 2015; World Islamic Banking Competitiveness Report 2014-15; Oman Islamic Finance Report 2015; Islamic Banking Regulatory Framework issued by Central Bank of Oman; State Bank of Pakistan: Quarterly Islamic Banking Bulletin – March 2015



Islamic Banking
Conventional Banking Sprinkled with Holy Water

by Mehak Naseeb

Islamic banking is a widely debated concept nowadays. The concept of Islamic banking in Pakistan can be traced back to 1978, AlBaraka, pioneers in Islamic banking in Pakistan 2010. During the last few decades, there is significant increase in terms of size and players participating in Islamic banking. Muslim countries such as Iran, Sudan, Malaysia, Indonesia, Bangladesh, Egypt and Pakistan are practicing Islamic banking, alongside with conventional banking. The list of countries, however, is not limited to the aforementioned countries, rather the list is exhaustive. Moreover, the western countries have also initiated the licensing of Islamic banking. In 2004, the Islamic Bank of Britain was licensed to engage in Islamic banking.

Islamic Republic of Pakistan is the only country in the world which came into being in the name of Islam. Currently, many banks operating in Pakistan are practicing Islamic banking. MCB Islamic bank, The Bank of Punjab Taqwa Islamic banking, Soneri Bank Mustaqeem, National Bank of Pakistan Aietmad are a few to mention. The conventional banking systems are operating alongside the Islamic banking systems.

With the increase in players plunging in Islamic bank financing, the query arises whether the Islamic banks are operating in the true spirit of Shariah or is just another backdoor for attracting the monetary capital of the targeted religious segment.

With the increase in players plunging in Islamic bank financing, the query arises whether the Islamic banks are operating in the true spirit of Shariah or is just another backdoor for attracting the monetary capital of the targeted religious segment.

In theory, Islamic economic system is different from the two major economic systems operating in the world namely, Capitalism and Socialism. Islamic economic system accepts the market forces of demand and supply whereas rejects the Laissez Faire concept of non-involvement of government in the economic affairs of the country. Islamic economic system is more concerned with the equitable distribution of wealth and discourages the hoarding of wealth in few hands.

The conventional banking systems offer a fixed rate of return on deposits and charge fixed rate of interest on loans. Interest *(riba)* is prohibited in Islam. The western financing systems are concerned with their fixed interest income without any regard to the financial prospects of the project for which they are lending their money. The uncertainty in the project may result either in profit or loss. In either case, the bank is concerned with the interest income on the loans advanced even if the projects of the borrowers result in a complete failure. The essence of the western banking system is the coverage of risk factor involved in the uncertainty of project outcomes. Islamic economic system introduces the concept of social welfare. The unique feature of Islamic bank financing lies in the profit and loss sharing paradigm which is based on the *mudarabah* and *musyarakah* concepts of Islamic financing.

Musyarakah contracts involve joint ventures whereby an entrepreneur and the bank jointly contribute capital for a business project scheme and both the parties are responsible for managing the project. Accordingly, the profit and loss arising from the venture is shared between both parties in a predetermined profit sharing ratio.

Mudarabah contracts differ from musyarakah contracts in the sense that the entire capital for a business project is provided by a bank and the expertise necessary for the project is provided by an entrepreneur. Both parties share the gains and losses in a predetermined profit sharing ratio. However, in case of a loss, all the loss is to be borne by the bank.

There are also other concepts of Islamic contracting including *Bai muajjal, Ijarah* (leasing), *Murabaha, Istisna.* Islamic financing contracts thus cater for the wellbeing of an individual entrepreneur. Any shock of loss is appropriately shared by borrower, bank and depositor. Moreover, the general principle of investment states that higher the uncertainty risk, higher the return. In theory, therefore, profits arising from the successful ventures in Islamic economic system should not be hoarded in the hands of the entrepreneur class. Rather, huge profits earned using the capital of depositors should be distributed among depositors, bank and borrower appropriately.

Given the discussion above, in theory it can be assumed that the rate of return on the deposits in Islamic banks should be different from the conventional banking systems and would result in an economic system which shall well provide opportunities to new entrepreneurs with direct supervision of banks without the inclusion of riba. In practice, however, we find the contrary.

A study in Malaysia by Beng Soon Chong and Ming-Hua Liu showed that changes in the conventional deposit rates cause Islamic investment rates to change, but not vice versa. Estimates of the long-term relation between the two rates of return, moreover, show that many of the changes in Islamic investment rates can be explained by changes in conventional deposit rates.

The reason for the Islamic deposits not operating in true sense of usury prohibition is explained by the Governor of the Central Bank of Malaysia, Dr. Zeti Akhtar Aziz in her keynote address on February 15, 2006 at the 2nd International Conference on Islamic Banking, Kuala Lumpur that "[profit-and-loss sharing] places a higher degree of fiduciary risk on the Islamic financial institutions in ensuring that the investment deposit funds are managed in the most effective and efficient manner. This is further compounded by competition in managing the liquidity in the system. The profit share distributed needs to be competitive relative to that earned and paid by the conventional banks. This is important to avoid a shift of deposits and to retain the funds in the system... Given the dual banking environment, as the one in Malaysia, the ability to maximise risk-adjusted returns on investment and sustain stable and competitive returns is an important element in ensuring the competitiveness of the Islamic banking system."

Islamic banking institutions are faced with severe competition from their counterparts and thus face withdrawal risk from the depositors. Everybody is fine with the profits but nobody wants to share the losses. Hence, Islamic banks artificially pay profits even if they are bearing losses in order to retain the funds of the investors. In this scenario Islamic banking is finely observed by a western critic as "the conventional banking sprinkled with holy water."

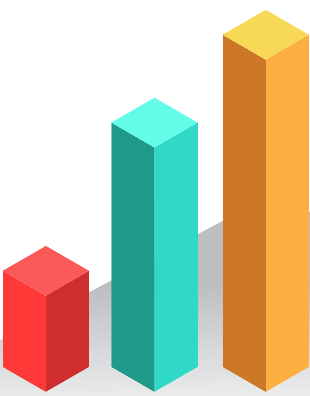
What we need to understand is the essence of western banking which is the provision of a debt nature of capital and earn interest income on the debt advanced, whereas the essence of Islamic banking does not lie in provision of debt. Islamic banks are a platform for the provision of capital for trade purposes. Trade is widely appreciated, accepted and profoundly encouraged by Allah and his prophet Muhammad (peace be upon him). Whoever wants to do banking in Islam should come with a trade purpose, that is, manufacturing commodities and afterwards selling these to the mass public, earning profits and distributing these profits in a just and equitable manner. Ancillary services like managing funds, lockers, ATMs, account opening, cheque book services can be charged with minimal charges for provision of services. This distinction of providing debt and providing capital for trade is necessary to differentiate and understand for the public at large.

An important step, in this perspective, taken by State Bank of Pakistan (SBP) with the help of The Institute of Chartered Accountants of Pakistan (ICAP) is the implementation of Islamic Financial Accounting Standards (IFAS-2) to develop Islamic banking in the country.

In the light of these steps, it is reasonably expected that a day will dawn InSha'Allah when the Islamic Republic of Pakistan will operate a banking system that will be truly Shariah compliant and operate in the true sense of usury prohibition.

Everybody is fine with the profits but nobody wants to share the losses. Hence, Islamic banks artificially pay profits even if they are bearing losses in order to retain the funds of the investors.

PAKISTAN is Not Ready for IFRS-9



by Abdullah Jalal

Background – Need for IFRS-9 (according to IASB)

Need for IFRS-9 was accelerated in response to the financial crisis of 2007-2008. During the financial crisis, the delayed recognition of credit losses on loans (and other financial instruments) was identified as a weakness in existing accounting standards. For this reason, after the beginning of the global crisis, the accounting standards have been subject to evaluation by IASB regulators. These reviews have highlighted the weaknesses of the accounting models used by companies to edit the financial statements and the need to modify accounting standard IAS-39. Overall, the changes include the introduction of a new model of classification and measurement, the adoption of new evaluation criteria of expected losses.

IFRS-9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments.

Arguments against IFRS-9

- IAS-39 is not the only reason of financial crisis.
- Research and numerous case studies suggest that it was purely driven by greed of the Wall Street.
- It was due to Failure of system including credit rating mechanism.
- Securitisation of sub-prime mortgages and subsequent selling to unsuspecting buyers including pension funds cannot be controlled by any standard.

Why it's not for Pakistan (right now)

- All western concepts are not related to Pakistan. Western economic model is debt driven. Even people who can afford it, live in mortgaged houses. So, private sector credit appetite is much higher and unfortunately, everyone pays tax so, documentation at macro and micro level is much better and not on choice basis.
- Difficulties in forecasts of future economic conditions.
- GDP growth of 4.7 % is not enough to sustain the growing population.
- Financial inclusion is a major challenge, along with high unemployment rates in younger segment of the population which is a major challenge.
- Unbanked population high – 80%.
- Undocumented economy.
- Currency in circulation – 3.5 trillion.
- Lack of tax filers, only 1 million in a population of 200 million.
- Needless to say NPL ratio is 11%.
- Provision coverage is 90%.
- Industry is facing concentration issues.
- How will tax authority treat 12 months and underperforming provisioning?
- Obligors tend to behave differently with banks having different securities.
- How will State Bank of Pakistan (SBP) bid treat the workings subsequently, especially, in case of reversals of provisions.

Conclusion

My own perception is that we should not immediately press for IFRS-9 except for investment classification. Firstly, Pakistan needs to enhance financial inclusion and expand private sector credit growth before implementing IFRS-9.

by Khawar Ali

Today, acquisitions, takeovers and mergers are common in the corporate sector. For these purposes, valuations of the target companies are of critical important. Different valuation methods are used to evaluate the target companies. Most common valuation methodologies include:

Asset Based Valuation Methods

As depicted from name, the value of businesses/companies is based on the value of its assets. Asset based business valuation methods are useful for accurate business purchase price allocation which is an important element of structuring a business acquisition deal. The central methods under the asset based valuation approach include:

1. Asset accumulation method
2. Excess earnings method

Income Based Valuation Methods

The income based valuation methods, determine the business value based on its income (profit) producing capacity and associated risks. Most common income based business valuation methods used in business appraisals are as follows:

- Capitalisation of earnings
- Multiple of discretionary earnings
- Discounted cash flow

Market Based Valuation Methods

Professional business appraisals often include these market based valuation methods:

- Guideline publicly traded company method
- Comparative transaction method

The value of businesses/companies is based on the value of its assets.

Use of Multiple Methods in Business Appraisals

Using a combination of business valuation techniques is highly recommended for accurate determination of business value.

Debt Free/Cash Free Basis

Recently, the use of debt free/cash free basis has an increasing trend. Headings of terms and conditions entered into between sellers and buyers usually state that the target company/business will be acquired on a debt free/cash free basis.

Typically, if a business is to be acquired debt free, most parties will intend that all external debts (i.e. bank debts) be repaid upon completion. However, what about trading debts arising in the ordinary course of business? What about hire purchase and finance lease agreements or intra company debts? Do these also constitute debts which should be discharged upon completion in order to achieve a debt free/cash free position?

To start with the starting point for the debate to identify what debt the target business/organisation has, and more specifically the value of debt at the time of proposed completion of the business/company sale/acquisition/merger transaction. The status of debt free can be achieved in the following ways:

- The target business/company returns/repays the debt prior to completion of the transaction of business sale/acquisition or merger;
- The seller returns/repays the debt prior to completion of the transaction of business sale/acquisition or merger;
- The debt remains intact in the target company, with arrangements made to discharge the debt immediately after the completion of the transaction; or
- The buyer assumes the debts and subtracts the value of debts from the purchase price of the target business/company.

For target to be acquired cash free, we should be clear about the meaning of 'cash'. Mostly, the term cash free will not mean that the seller will be entitled to empty the cash and bank accounts of the target before the transaction completes. Anyhow, the seller will be allowed to remove any spare cash before the completion of transaction.

We can achieve the cash free position in the following ways:

- Repay the debts to achieve debt free status;
- Payment of dividends if the target has adequate distributable profits;
- Payment of pension to the individual sellers; and
- Purchase of its own shares if the target has adequate distributable profits (in some countries buy-back of shares may not be legally allowed).

Debt free/cash free does not mean that sufficient working capital will not remain available in the target after the completion of the transaction. In other words, we should remember that sufficient working capital (necessary for the smooth run of business for the foreseeable future) will be kept in the target. For enterprise valuation, debt free/cash free concept can achieve great results for the valuation and acquisition of the target.

An Insight into Accounting Periods

by Muhammad Rizwan

Selection of accounting period for a newly established entity could be confusing sometimes. I have tried to ease this by answering different questions that normally come across in an accountant's mind. Different aspects of accounting period can be analysed by answering the following four questions:

1. What is meant by accounting period and why is it necessary?
2. How accounting period is determined?
3. Can accounting period be changed later on?
4. Can accounting period be more or less than 12 months?

1. What is meant by Accounting Period and why is it necessary?

Have you ever thought about the purpose of the calendar year? We have divided our whole life into small segments of time that we call years, and for identification of the same we use calendars. Our today's Gregorian calendar starts on January 1 and ends on December 31 (12 months in total). The objective of this division is that we can plan, administer and analyse different aspects of our lives i.e. social, religious, and commercial, etc.

Even our governments plan their activities using this concept. Governments plan their fiscal activities, in the form of a budget, on yearly basis which is called a fiscal year or a financial year. Fiscal year also comprises of twelve months e.g. fiscal year in Pakistan starts from July 1 and ends on June 30 the next year; in USA it starts from October 1 and ends on September 30; in India it starts from April 1 and ends on March 30; and in China it starts from January 1 and ends on December 31.

Organisations also use financial years for planning, control and performance evaluation purposes. From the accounting point of view, the term used, however, is called accounting period. This is the period for which financial statements are prepared. This period normally comprises of twelve months. However, in some circumstances, discussed later in the article, it may be of more than or less than twelve months. Accounting periods also normally end on March 31, June 30, September 30 or December 31. However, this is not the rule of thumb; accounting period may, for example, start from December 16 and end on December 15 of next year.

2. How Accounting Period is determined?

After understanding the need for accounting period, the next question that needs to be answered is how you could determine the accounting period for your newly established entity.

Accounting period is determined by the management of the entity. Determination of accounting period comprises of two steps:

1. Considering the relevant law(s) under which the entity is established/incorporated; and
2. Considering the relevant provisions of income tax law(s).

Both these steps are explained below:

Entity Incorporation Laws

Under which law your entity is incorporated? Well, it will depend upon the business you are in. Below, I have tried to jot down a brief list of businesses and relevant corporate laws in Pakistan that could impact the determination of accounting period:

- Banks/banking companies: accounting period ends on December 31

Relevant corporate laws include Companies Ordinance 1984, Banking Companies Ordinance 1962 and directives issued by Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP).

Section 32(1) of the Banking Companies Ordinance 1962 suggests that close of business of banking companies occurs on December 31.

- Insurance companies: accounting period ends on December 31

Relevant corporate laws include Companies Ordinance 1984, Insurance Ordinance 2001, Securities and Exchange Commission (SEC)(insurance) Rules 2002 and directives issued by SECP.

Accounting period of insurance companies is not specified in the relevant corporate laws; however, December 31 is mentioned in accounting templates/forms given by SECP under Rule 16 & 21(1) of SEC (insurance) Rules 2002 (insurance Rules). Further guidance is available in Taxation Laws section below.

Accounting period of insurance brokers is December 31 as per Rule 27 of the Insurance Rules.

- Non-banking finance companies (e.g. mutual funds, leasing companies, investment companies, etc.): accounting period ends on June 30.

Relevant corporate laws include Companies Ordinance 1984, Non-Banking Financial Company (NBFCs) (Establishment and Regulation) Rules 2003, NBFCs and Notified Entities (NE) Regulations 2008, Real Estate Investment Trust (REIT) Regulations 2015 and directives issued by SECP.

Although, there is no specific provision in the above mentioned laws that precisely stipulates the accounting period for NBFCs, guidance for the same may be obtained from NE Regulations 2008. For example, minimum equity requirements of NBFCs under Regulation 4 (Schedule I) and classification & provisioning requirements for non-performing assets under Regulation 25 (Schedules X & XI) of NE Regulations are applicable considering June 30 as year-end. Further guidance is also available in Taxation Laws section below.

- Modarabas: accounting period ends on June 30

Relevant corporate laws include Modaraba Companies and Modarabas (Floating and Control) Ordinance 1980, Modaraba Companies and Modaraba Rules 1981, Prudential Regulations for Modarabas and directives issued by SECP.

Accounting period for modarabas is not specified in the relevant corporate laws. Therefore, we would consider the guidance available in Taxation Laws section below.

- Trading / manufacturing / service providing companies (e.g. sugar, textile, cement, tobacco, oil & gas, power, petroleum, engineering, construction, automobile, transport, telecom, fertilizer, pharmaceutical, chemical, leather, food, Fast Moving Consumer Goods (FMCGs), health, hotel, entertainment & media, consultancy, education, etc.: accounting period ends on June 30.

Relevant corporate laws include Companies Ordinance 1984 and directives issued by SECP.

Accounting period for such companies is not specified in the relevant corporate laws. Therefore, we would consider the guidance available in Taxation Laws section below.

- Corporations/body corporates: accounting period as defined in relevant incorporation law.

These are the entities that are incorporated under a specific law e.g. Water & Power Development Authority (WAPDA) is established under WAPDA Act 1958. The relevant law should be considered for each such entity while determining the accounting period.

Guidance for determining accounting period of these entities may or may not be provided in the relevant incorporation laws. Therefore, we would also consider the guidance available in Taxation Laws section below.

- Non-Profit Organisations: accounting period on the basis of taxation laws.

There are different laws under which NPOs can be formed. If NPO is a (Sec. 42) company, the relevant corporate laws would be Companies Ordinance 1984 and directives issued by SECP. If NPO is a society, trust or a social welfare agency, the relevant corporate laws would be Societies Registration Act 1860, Trust Act 1882 and Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961 respectively.

Accounting period of NPOs is not specified in any relevant law i.e. Companies Ordinance 1984, Societies Registration Act 1860, Trust Act 1882, etc. Therefore, we would consider the guidance available in Taxation Laws section below.

- Un-incorporated structures e.g. sole proprietors and partnerships: Accounting period on the basis of taxation laws.

There is no specific incorporation law for such entities. However, partnership relationships are governed by Partnership Act 1932.

Guidance regarding determination of accounting period of NPOs is available in Taxation Laws section below.

Taxation Laws

Although the first point of reference for accounting period determination, as discussed above, is the relevant corporate laws, however, but not all corporate laws provide guidance for determining the accounting period. Therefore, taxation laws are equally important. Important provisions of Income Tax Ordinance 2001 (ITO) regarding accounting period (Tax Year - Section 74) are briefly explained below.

As per Section 74 of ITO, every company should have a year-end which ends on June 30. In taxation terms it is known as Normal Tax Year (for ease of understanding, you may use the terms accounting period and tax year interchangeably). However, you will notice that some company laws have prescribed different accounting periods i.e. other than June 30. Therefore, there is a provision of Special Tax Year (STY) in ITO. STY is any tax year other than normal tax year. STY can be adopted in two ways.

One, FBR has specified a STY for the entire class of business. Given below is a list of STYs specified by FBR (only active SROs as on October 28, 2015).

1. Jute goods manufacturers: year-end June 30 (SRO 133(R)/68 dt. 31.07.1968)
2. Sugar manufacturers: year-end September 30 (SRO 134(R)/68 dt. 31.07.1968)
3. Rice husking business: year-end August 31 (SRO 1153(I)/79 dt. 10.12.1979)
4. Shawl manufacturers and traders, etc: year-end March 31 (SRO 505(I)/80 dt. 15.05.1980)
5. Insurance companies: year-end December 31 (SRO 878(I)/95 dt. 30.08.1995)

Two, you make an application to the Commissioner Inland Revenue (CIR) for adopting a STY (such an application can only be made if there is a compelling need for that). For example, neither ITO nor Companies Ordinance 1984 has specified any STY for fertilizer manufacturing companies; therefore, these companies should follow the normal tax year i.e. June 30. However, as an industry practice these companies follow December 31 as year-end, which means they have to obtain special permission from the CIR, on case to case basis, for adopting December 31 as year-end.

The above discussion can be summarised in the form of a flow diagram for establishing the steps for determining the accounting period of an entity.

Check whether **corporate laws have specified a special accounting period** i.e. other than June 30. If yes, obtain permission from CIR and follow that. If not, go to next step.

Check whether **FBR has specified a STY** for the business. If yes, it is your accounting period. If not, go to next step.

Check whether it is **industry practice to use a special accounting period** i.e. other than 30 June. If so, obtain permission from CIR and follow that. If not, you may use 30 June as accounting period.

3. Can Accounting Period be changed later on?

The answer is, yes. The accounting period determined by the management can be changed later on. For that, you need to get the following approvals:

- Get approval of change in the accounting period from those charged with governance e.g. the board of directors.
- Get approval from relevant regulatory authorities (e.g. SECP), if such an approval is required by the relevant corporate law(s). For example, in case of a company, application for change in accounting period to the Registrar of Companies, SECP under Rule 30 of the companies (General Provisions and Forms) Rules 1985 is required; in case of a modaraba, approval from registrar of modarabas, SECP under Rule 11(2) of Modaraba Companies and Modaraba Rules 1981 is required.
- Get approval from the commissioner Inland Revenue (Income Tax) under Section 74 of the Income Tax Ordinance 2001.

When all above approvals have been obtained, the accounting period of company is changed.

4. Can Accounting Period be more than or less than twelve months?

Yes. However, this can happen only in few circumstances. Such circumstances, in light of the provisions of the Companies Ordinance 1984 (the Ordinance), are briefly explained below.

1. This is the first year of the entity e.g. a textile company is incorporated on May 1, 2015 and its accounting year ends on June 30. Section 233(1) of the Ordinance states that the first accounts are prepared since the incorporation of the company. Section 233(2) states that the accounting period shall not exceed twelve months except where special permission has been granted by the registrar in that behalf. Therefore, it can be said that the first accounting period of the company might comprise of either two months i.e. May 1, 2015 to June 30, 2015 or 14 months i.e. May 1, 2015 to June 30, 2016.

   If the management intends to prepare first financial statements for two months, there is no problem in that. However, if the management intends to prepare the first financial statements for fourteen-month period then, it would be a fun part.

   As discussed above, if the period to which financial statements relate exceeds twelve months, a special permission shall have to be obtained from the registrar (on an application of the company). This means if the management intends to prepare first financial statements for 14 months, it will have to obtain prior permission from the registrar to prepare accounts from May 1, 2015 to June 30, 2016. If such permission is not obtained, the first accounts shall be prepared for two-month period i.e. up to June 30, 2015.

2. When the management changes the accounting period of the entity: As stated in paragraphs 4 & 5 of Chapter 1 of A Guide on Accounts and Accounting Reference Dates of SECP, accounting reference date (e.g. June 30) can be changed (by shortening or extending the accounting period) by making an application to the concerned registrar under Rule 30 of the Companies (General Provisions and Forms) Rules 1985.

   For example, recent accounting period of a company ended on June 30, 2014. During November 2014, the management changed its accounting period by shortening the accounting period from June 30, 2015 to December 31, 2014. Therefore, next accounting period of the entity might comprise of six months i.e. July 1, 2014 to December 31, 2014.

3. In the last year of the entity (i.e. the company is dissolved): Guide on Winding up/Dissolution of Companies of SECP defines winding up as proceedings by which the life of a company is put to an end. This means that during last year of a company, it might not run its affairs for the whole year, and therefore, last accounting period of the company, subject to the provisions of the Ordinance, might be less than twelve months.

   Section 402 of the Ordinance states that from the date of commencement of the winding up of a company, the official liquidator or the liquidator, as the case may be, is deemed to have taken the place of the directors, chief executive, etc. of the company. Therefore, responsibility for management and administration of the company including preparation of accounts and statements transfers to the liquidator.

   Section 402 also states that a company being wound up continues to be a company for all purposes (i.e. including preparation of accounts by the liquidator) till its final dissolution. Sections 370 and 382 deal with final meeting and dissolution of the company which require the liquidator to call a (final) general meeting of the company for the purpose of laying the (final) report and accounts before it. Such report and accounts are prepared up to a date on which the affairs of the company are fully wound up (Sec 370(1) & Sec 382(1)).

   For example, affairs of ABC company are fully wound up on January 31, 2015 and previous accounts of the company were prepared by the liquidator up to June 30, 2014. The last accounting period of the company would comprise of seven months i.e. July 1, 2014 to January 31, 2015.

Problems of Taxation System beyond Tax Net

by Waqas Shabbir

Failure of the government in service delivery is a major hindrance in way of increasing tax collection. A common man always asks, "What are we getting from the government against all these taxes"?

Introduction

Why the government in Pakistan not able to collect due amount of tax? It's a question many ask. And we all hear the response that there is a need to increase the tax net. This is not entirely true. How much further tax net need to increase? Every business is already subject to Income Tax and Sales Tax. Salaries, property and vehicle rent, agency, interests on investments, capital gain on sale of shares and property – everything is subject to tax already. Even agricultural income is also subject to tax under provincial rules. Each and every activity in Pakistan is already in tax net. Contrary to this argument, taxes are so huge that a normal individual will naturally find ways to avoid it.

For instance, company profits are subject to 33% corporate tax. Then, if that owner needs to withdraw its profits out of business, he would have to pay additional 12% tax on dividends, which is a final tax, which means that, no adjustment against this tax liability and not additional tax on that income. After getting whatever money is left, he has to pay sales tax ranging from 17% to 26% on each and every product he purchases, from toothpaste to fuel and utilities. Further, income tax on children's education fee, tax on vehicle registration, cash withdrawal from bank, banking transactions, tax on air tickets, toll on road travel, tax on transfer of property, separate income tax on utilities along with number of surcharges, so on and so forth. One can argue that taxpayers are obliged to pay a major portion of their income in taxes and keep a minor chunk for themselves.

Take another scenario, a business individual who is not required to register under sales tax law due to low turnover or any other reason, pays sales tax @17% on purchases but cannot claim that tax either as expenditure or a tax adjustment in his income tax return. His business might not be giving him that much profit, but the government will collect tax from him. A business individual providing services might not be in profits, but he has to pay minimum tax @10% on his turnover. Not for profit organisations whose activities are not taxable, but they are heavily burdened with the responsibility as a withholding agent. In return, they face many difficulties in getting tax exemptions granted to them under the law.

Issues in Taxation System

There are many discrepancies and disadvantages in the taxation system in Pakistan. Heavy taxes is just one issue, there are many other issues in the system.

Common taxpayers find it very difficult to get themselves registered particularly for the purpose of sales tax. Since last year, Federal Board of Revenue (FBR) has also made it mandatory for the principal officer of the companies and Association of Persons (AOP) to visit FBR for registration, which is nightmare for a common person.

Taxation laws are so wide and complex that people can't practice on their own and there is no free of cost consulting facility from the FBR.

Separate registrations in Islamabad Capital Territory (ICT) and provinces for Sales Tax, separate tax and return submissions with each revenue authority has just added to the hassle for the taxpayers.

Responsibilities as a withholding agent are considered as an additional burden on the taxpayers with increasingly difficult withholding rules being enforced recently. This is a thankless job by the taxpayers for the government and instead of awarding incentives to such taxpayers for compliance, the laws provide for only the fines and penalties.

Failure of the government in service delivery is another major hindrance in way of increasing tax collection. A common man always asks, "What are we getting from the government against all these taxes"?

Recommendations

It may be concluded from the above discussion that there is no need to expand the tax net; there is a need to revolutionary measures to correct the revenue departments and service delivery.

The government should take steps at first to make laws straight and simple, e.g. by removing minimum and final tax provisions and making coordination between the revenue authorities of ICT and provinces to minimise tax reporting.

There is also a need to educate people on tax laws; organise workshops and seminars and most importantly provide a free of cost consulting service.

Further, there is also a need to improve the general impression of the revenue authorities, their staff needs to be more cooperative, friendly and easily accessible. The government should consider a need to create a separate taxpayers facilitation wing, which should be more like a customer relationship department of business sector organisations.

It is necessary to provide incentives to the taxpayers for compliance; e.g. providing them medical and life insurance based on the amount of tax deposited every year, tax credit for collecting and depositing taxes as a withholding agent, rebates on timely return submission and above all, speeding the process of Income Tax Refunds.

Lastly, there is the need to improve the service delivery in the country overall, so that the taxpayer sees the benefit of paying taxes.

Positive measures from the government focusing on reasons for less tax collection would tend to settle this long living problem of Pakistan.

Streamlining the Taxation Framework on Real Estate Investment Sector

by Haris Tufail

Real estate investment remains to be the most attractive investment avenue for long term investors as well as short term ventures. The following quote sums it all: “Real estate is the best investment on earth, however, when the music stops playing, which happens occasionally, don't be the one left without a chair.” -Steven Ivy, attorney, entrepreneur

However, this sector has so far effectively remained at bay from taxmen shackles. Until recently there remained a constitutional clog over the taxation of Immoveable Property as the Entry 50 in the Part I of the Fourth Schedule to the Constitution debarred the Federation to Levy Capital Gains Tax on Immoveable Property. Irrespective of this tax exemption, real estate investment in Pakistan has also been used by the undocumented sector as tax holiday.

With the implementation of 18th Constitutional Amendment, the constitutional clog was removed. This amendment spurred constitutional interpretational diversions as this has both been read as empowering the federation as well as the federating units. However, this legal fiction is not yet settled either legislatively or in the court of law.

Nonetheless, upon this Constitutional Amendment Section 37(1A) was introduced in the Income Tax Ordinance, 2001 vide the Finance Act 2012. Initially, the gain only in respect of property held for up to two years was subjected to tax. The legislative and indeed the social intent was to tax only short term ventures. However, due to the revenue considerations, the social intent appears to be declining as the exempt holding period is gradually being raised and is currently raised to three years.

Despite the taxation measures as above, this investment sector didn’t fetch the revenue chunk to its potential as desired by the government. The fact is that sizeable number of players in this sector remained outside the tax net by means of Benami Transactions or otherwise. Hence, real estate investment sector continued to act as quasi tax holiday to the investor being the avenue to keep at bay the untaxed business receipts. Even the transactions tapped by the taxmen didn’t fetch the due revenue as the issue of unrevised/unrepresentative provincial District Collector (DC) rates actually disclosed for tax purposes, which are substantially lower than prevailing market values and actual transactional receipts have meant that even the taxed transactions have effectively remained untaxed. Absence of specific legal framework empowering commissioners to determine the fair market values of transactions for immoveable property and practical and administrative bottlenecks to determine the actual market values of these transactions didn’t provide enough muscles to the tax enforcers to challenge the declared values of such transactions.

Around the current year's budget, the government again endeavour to address the framework of taxation for capital gain on sale of immoveable property. The proposed Finance Bill tabled before the National Assembly proposed to disregard the value fixed or notified by any provincial authority for the purpose of stamp duty or for any other purpose, for determination of fair market value. The exempt holding period was enhanced to five years while a flat rate of 10 percent was introduced. These proposed steps spurred debates in the circles as was construed and apprehended as discretionary powers to the Commissioners and against the initial intent to tap only short term ventures. The concerns of the stakeholders were addressed subsequently. The Finance Act withdrew the proposal and introduced new framework for determining fair market values which was to be done on the basis of valuation made by a panel of approved valuers of the State Bank of Pakistan (SBP). The rates and holding period as per the Finance Bill were however retained.

The government later realised that this framework of taxation over immoveable cannot be streamlined without taking the stakeholders on board. On July 30, 2016, the finance ministry held negotiations with property evaluators consequent to which Income Tax (Amendment) Ordinance, 2016 has been promulgated bringing certain amendments regarding the taxation of immoveable property. A further amendment Ordinance was issued on August 31, 2016. These changes have later been enacted by the National Assembly.

As against the valuation to be done by approved valuers of the SBP, the board has empowered itself to issue valuation notifications which is to be applicable for taxability of capital gain, withholding of taxes on purchaser and seller and also for taxing concealed property in terms of Section 111 of the Ordinance. However, the actual auction prices are to remain applicable in case those are higher than the notified values. The federal government has issued valuation notifications for twenty one major cities of the country. While it has been stated that for rest of the areas provincial DC rates would remain applicable.

The capital gain tax on sale of immoveable property has been amended. Certain exemptions have been specified in respect to withholding of taxes applicable at the time of sale of property. Those exemptions have also been made applicable for capital gain taxes also. No capital gain taxes are applicable in case of sale of property held for a period exceeding three years. Exemption has been specified in case of sale of property by dependents of *shaheed* of armed forces and a person who has died while on service with armed forces, employees of federal or provincial government, subject to specified conditions.

The applicable rates are given below. Rates have been separated based on whether the Acquisition Date (A.D) fall before July 1, 2016 or after:

Holding Period (years)	Applicable Rates			
	Till June 30, 2016	Per Finance Act 2016	As per the Amendment Ordinance	
			A.D on or after July 1, 2016	A.D before July 1, 2016
Up to 1	10%	10%	10%	5%
1 to 2	5%	10%	7.5%	5%
2 to 3	0%	10%	5%	5%
3 to 5	0%	10%	0%	0%
Above 5	0%	0%	0%	0%

Fifty percent rebate has been specified for first sale of property acquired or allotted as an original allottees to both ex-serving and serving personnel of armed forces and to both ex-employees and serving personnel of federal and provincial governments.

Withholding tax by the registration authority from seller and the buyer are tabulated below:

Section	Adjustable for	Threshold		Rates	
		Existing	Revised	Existing	Revised
				Filer/Non Filer	Filer/Non Filer
236C	Seller	5 years	3 years	0.5 / 1	1 / 2
236K	Buyer	3 million	4 million	1 / 2	2/4

Exemptions specified above for capital gains tax are also applicable for withholding of taxes applicable on seller.

In order to avail immunity from rigours of Section 111 of the Ordinance by tax payers, a non-adjustable withholding of tax under Section 236W has been introduced on purchaser at three percent of the amount representing difference between FBR notified values and provincial DC rates.

Apart from tapping these piecemeal sale transactions, the government has from time to time tried to address the other sectors related to real estate business. For encouraging investments Real Estate Investment Trust (REITs) and Developmental REITs, certain exemptions have been specified. To encourage documentation in builders and developers, the concept of minimum tax introduced vide Finance Act 2013 has been replaced vide Finance Act 2016 with fixed tax regime on square feet and square yard basis respectively. To attract corporatisation in property rental income business, the government has done distinction of taxation for companies and individual/AOP vide Finance Act 2016, as allow ability of expenses against rental receipts has made the entitlements for companies only.

Benami transaction has also been used as a mode to disguise the taxman by investing the untaxed receipts in property with anonymous title. A bill namely 'Benami Transactions Prohibition Act 2016' has been put before the legislative body for approval to prohibit such transaction.

Governmental endeavours to streamline taxation of immoveable property are loud and visible. However, through such measures sizeable yields may be possible for the exchequer only if the undocumented aspects of economy are brought under tax net. This hefty objective may not be realised by legislating taxation. This would require broad measures including synchronisation of underlying regulations with the tax code, coordination between the various regulators, computerisation of land record and transactions related thereto and, last but not the least, an awareness amongst the masses of their obligations to contribute equitably to the national exchequer.

The objective of optimisation and smoothening of taxation system can only be achieved if the governance framework operates as a virtual trust and governance is devised, demonstrated and perceived by the masses as a system of by and for the people of the country.

Audit and Assurance

An Introspective Analysis

by Hashim Abid Hussain

We are living in an era where the only constant is change. The developments in information technology and the continuous generalisation of such developments in technology have changed the paradigm of business and services. Over time businesses are changing and the shareholders also need to evolve continuously. In this scenario, one is forced to ask, How the audit profession as a whole should adapt to this change. Businesses have grown to be dynamic and lean. As a professional auditor in this era, one keeps on hearing terms like value driven audit, dynamic audit, efficiency driven audit, etc. As markets are changing and evolving and as corporate reporting is developing, we need to develop an auditing profession that is equally dynamic. The professional auditor must engage with issues that businesses need to address and also those in which wider public is interested. Overtime, audit is also changing in many ways, some changes are driven by market needs whereas some are being driven by regulatory changes.

Audit and assurance is operating as a service industry. The core to any service entity lies in the value it adds to the industry and the market at large. We see that currently audit firms are faced with multiple challenges including increased regulations and increased risks along with the downward pressures on the fee base. This is a good time to reassess the real value that audit currently provides to the businesses, markets and investors. We need to understand how different stakeholders perceive value of audit and the scope to do more, including reassessing how auditors can add more value beyond the traditional audit sphere. As a professional auditor, one needs to introspect and ask, what value audit adds to capital markets? How can we assess and better understand the quality of the audit? How auditors can add more value beyond the traditional audit? These questions remain at the helm of the discussions on the audit model, auditor's report and the audit profession as a whole.

The key factors for consideration in this article include:

- Understanding the real value of audit;
- Understanding what is audit quality; and
- Need to engage professionals working in different roles.

Understanding the real value of audit

The relevance of audit for the financial markets has been questioned many a time. Such discussions have been further fuelled by the global economic meltdowns and the impact of inflated assets carried in corporate books in such financial crisis. The auditor's role in developing public trust and the health of the capital markets has, to some extent, been compromised in the wake of such financial calamities. There is a general consensus that the regulators and the auditors were unable to foresee and react to the systematic risk being built into the system before the financial crisis in 2008. The industry expects the audit profession to give warnings of what is happening in the system. The notion that the responsibility to assess and respond to the systematic risk being built in the industry is solely that of the regulators doesn't hold much ground.

The restricted scope of auditors report remains a key detriment to value of audit and audit quality. Currently, the auditor's role is too focused on compliance. Auditors remain busy complying with standards rather than assessing the systematic risk building in the industry to which its clients are exposed. Further, compliance based seems to be the safest route for auditors as it doesn't expose them to unnecessary judgments and consequent legal implications. Currently, the scope of audit tends to be confined to one set of information and not on the rest, the framework and regulations have to enable the auditor to look at the bigger picture and to think outside the box.

In respect of the value driven from audit, there are currently two approaches, the conventional and the forward looking.

The conventional ideology professes that external auditors continue to remain significant players in financial reporting, providing accountability, transparency and integrity to the system. The sheer existence of audit services in the market and the regulatory requirement of having it done is sufficient to play as a check on the executives. In real terms, the value of audit is not the beauty of the financial statements that are produced, rather it's the difference between the financial statements that are produced and what would be produced in the absence of audit. The business executives in the past have been found to be over optimistic. Audit remains an integral part of the financial reporting system so that investors get financial statements that communicate information for investors to make critical decisions. The key value of audit is in ensuring that the system has got integrity and functions. If auditors start to get into areas they are not skilled or trained to do, they will dilute the value of the system which is integrity of the financial statements. Secondly, value of audit to a great extent is the function of the information that is being audited. To enhance value from audit, the accounting profession as a whole, needs to revisit whether the information produced in the financial statements prepared under Generally Accepted Accounting Principles (GAAP) do meet the needs of the investors.

The forward looking school of thought recognises that as businesses continue to evolve so should the audit process and the audit outcomes so as to remain relevant. They feel that the core of the audit service maintained in the conventional ideology remains and that audit has relevance and value. However, they also emphasise that to remain relevant to the capital markets, there is an overwhelming need to understand the real business value drivers and give assurance as these critically effect the share price of the companies and the organisational value of an entity. The real challenge in the industry is that majority of the business value drivers that determine the real value in business are either intangible and sometimes are not even recorded in the financial statements. They believe that increasing use of technology has aimed to increase their coverage and provide valuable insights to audit committees and to the shareholders. Increasingly, firms are seen adopting data and analytics tools to look through complete databases and identify significant and unusual business trends. They view the proposed revisions to the audit report to be the most significant development in audit in years. Now, audit reports would include the key audit issues faced and the conclusions reached on them. This will make the profession all the more interesting whereby the audit report would be an informative report to the shareholders and the capital markets and worth their interest. This, coupled with increased accountability and regulations, would certainly make the auditor much more accountable to market and to the regulators. Further, this would have a greater impact as the auditor would be able to communicate with the markets and apprise them of the key issues. This is likely to impact the financial markets and the shareholders to a larger extent.

Quality of financial statements remains the core task of auditors and of paramount importance, and all energies should be focused on this area. However, the audit profession needs to keep pace with the fast paced business dynamics. In this age of technology and knowledge, the auditor needs to lucidly communicate his thoughts to the audit committees and to the larger investor base. The time is ripe to rethink the relevance of the information we audit and the audit reports we send across to the stakeholders. Investors are seeking assurance over more than numbers, the challenge remains whether the auditors are equipped and willing to extend beyond the numbers and look beyond their operational paradigms into newer horizons. The issue of reporting and assurance on key business drivers (both financial and non-financial) is critical and what role auditors play in that remains to be seen.

How the audit and accountancy profession will respond to enhance the value that audit and assurance and accountancy provide at large, remains to be seen and has the potential to result in a paradigm shift for the profession.

Understanding what is audit quality

One of the key issues for audit is to understand what is audit quality. The key to understanding audit quality is the ability to more accurately measure it.

As per the conventional ideology, a properly justified and correct opinion on the subject matter entailing professional skepticism and detailed documentation of audit evidence and the audit conclusions remain paramount to audit quality. Currently, the discussions around audit quality remain focused on structural issues like audit tenure and cap on non-audit services. There is a need to take into cognisance that developments in industry have increased the expectations in respect of audit quality. The quality of insights and communications the auditor makes to the stakeholders are now a key determinant of audit quality. The yardstick is whether modern audit meets the fast paced business needs.

The quality of insights and communications by the auditor depends on the personal and professional relationships, and interactions between the key players involved. Of these key players the audit triangle comprising of engagement audit partner, chief financial officer (CFO) and the audit committee chairman remain central to equation. The audit professionals need to engage with the business. The balance in this audit triangle and in the relationship between auditor and CFO versus auditor and audit committee chairs will remain critical for audit quality.

CFOs and financial controllers want auditors to understand their issues and be receptive whereby they can discuss the different accounting and reporting issues candidly and they want the auditor to understand the issues faced by business. The CFO and management have a considerable role in the selection of the auditor and resultantly also have a say in what gets reported to the audit committee.

Audit committees play an important role for financial reporting. They need to be an active participant in the assessment of the audit quality. The independence and competence of the audit committees is also vital. It is important that the audit committees engage with the auditors and have a healthy debate on issues reported and not reported by the auditors. Further, the views of the auditors in respect of key business drivers of the company should also be discussed. Currently, the discussions between the external auditor and the audit committee remain focused on what the auditor communicates to them. Rarely do you find audit committees probing the external auditor for things not reported that are of concern to them. The interaction between the external auditor and the audit committee needs to be more robust and detailed. This will help both the auditor and the audit committee in the risk assessment of an entity and in improving the quality of audit of an entity.

Independence, transparency and auditor competence all are important for audit quality. For quality audit, it is important that independence is maintained and also demonstrated. Transparency in the audit process remains critical for building trust and confidence. The auditor competence is also a key determinant to audit quality. The ability to remain objective and skim through the detail along with the ability to take a holistic view along with understanding of the direction of the business remains a challenge for many auditors. Audit firms keep investing in the latest tools of the trade. The auditors need to be able to pick the right data and astutely analyse it so as to provide the right insight.

Need to engage professionals working in different roles

The health of the financial reporting system, and in turn, the capital markets, depends greatly on the level of engagement between the various components working in the system. In this case, the business leaders, professional auditors, CFOs, audit committee members, regulators and the standard setters all need to more frequently engage and interact with each other at different platforms. This will help everyone to understand the problems faced and the opportunities available for improvement. Currently, we see that each tries to excel in their particular domain however, the larger perspective and goal to enhance the integrity and transparency of the financial reporting system and to keep the financial and other reports relevant for decision making tends to go on the back seat.

The standard setters and the regulators need to continuously assess whether the standards and rules are clear and robust enough so that the auditors can apply them appropriately. Regulatory regime and reporting is required to capture the needs to the investors. They need to interact with the investors to learn from investors their needs in respect of financial reporting. The auditors also need to interact with the business leaders, management, investors, etc. to better understand what changes they want in the profession and how they can serve them better. We need to get out of the life in a refrigerator syndrome where each professional body and interest group gets stacked together and operates in isolation to other elements and remain focused closely to their particular domains. We need all the above interest groups to intermingle so as to better understand the needs and problems of the other interest groups.

Value and robustness of the financial reporting system and the audit quality is no longer the sole responsibility of auditors. There is an increased recognition that all regulators, professional bodies, management, internal audit, audit committees and the external auditors contribute towards audit quality and the key is that they all work together to strengthen the system of financial reporting in the capital markets.

Conclusion

Investors are looking for more information on risks, uncertainties and management uncertainties. The need for enhanced corporate reporting including non-financial business value drivers is being continuously highlighted. Auditors are planning to respond via the revised, expanded and informative audit reports. How the above challenges and opportunities will develop the financial reporting structure in the future is yet to be seen. However, one thing for sure is that the paradigms within the current reporting and assurance structures are bound to change.

Note: This article has been influenced by outcomes of a global series of roundtable discussions organised by KPMG and Economia (ICAEW magazine) with leading stakeholders to tackle the challenges facing the audit profession.

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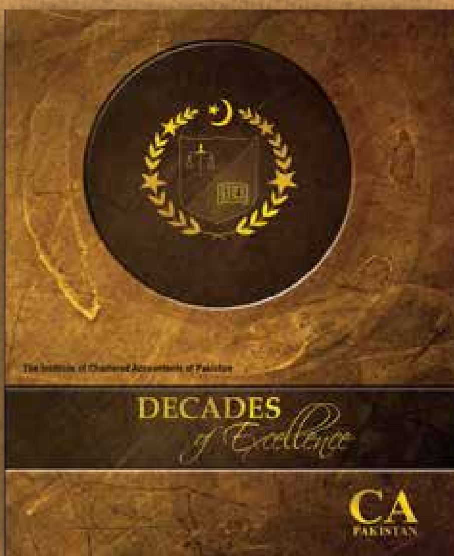

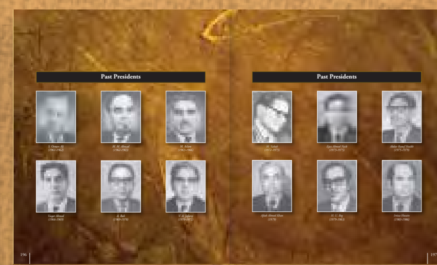

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"ICAP is one of the most vibrant institutes of the country. It gives me great pleasure to know that the Institute of Chartered Accountants of Pakistan (ICAP) is launching **ICAP Coffee Table History (CTH): Decades of Excellence** – a historical document featuring the birth of the Institute and its journey of excellence."

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"ICAP is today recognised as the premier professional accountancy body of Pakistan. It is also very heartening that **ICAP - A Journey through Time** launched last year is followed this year by the second edition **ICAP Coffee Table History (CTH): Decades of Excellence**. Both these documents will be useful for generations to come."

ICAP Coffee Table History (CTH): Decades of Excellence – a 270 page document which encapsulates the Institute's extraordinary 55 year journey. The first edition of ICAP's coffee table book, ICAP – A Journey through Time, published last year, encapsulated its fifty golden years, 1961-2011.

ICAP turns 55 this year, so the second edition, **ICAP Coffee Table History (CTH): Decades of Excellence** celebrates ICAP's fifty-fifth birthday, 1961-2016.

ICAP Coffee Table History (CTH): Decades of Excellence is indeed a collector's item, and merits a place in every chartered accountant's book collection.

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Management System

by Sohailuddin Alavi

A robust integrity management is a competitive advantage for an institution and enhances the trust of its constituents. Institutions having inadequate to no integrity management system may face array of risks ranging from financial loss, reputation and sometimes even continuity of the institution itself besides possible business and legal repercussions having strategic implications into the future. On the other side, constituents either succumb to bribe and increase their cost of service/compliance or face threats to their legitimate rights.

In a typical institution, face-to-face interaction between functionaries and the constituents is considered as a major potential threat to integrity. Nevertheless, increasing complexity of modern institutional design and technological environment aimed to improve institutional efficiency pose newer threats to institutional integrity. Delegation of authority to the front end, automation of processes and decentralisation improve institutional efficiency, but without a robust integrity control management it raises the vulnerability to abuse authority and manipulate processes. Having said this, it is pertinent to implement a robust integrity management system in modern day institutions to avert integrity issues to the possible extent.

Enhanced integrity helps improve competitiveness, profits, and customers’ trust in a for-profit organisation; and, public revenue, equity, fairness and reduction in cost of compliance in a public service organisation.

A typical Integrity Management System (IMS) aims to protect interests of the institution, the shareholders and the stakeholders. The system entails implementing integrity standards, policy and procedures to ensure higher degree of ethics, fairness, and grievance handling in the work place. Let's begin with getting ourselves familiar with the key words:

Quranic analogy

Action: "Do not misappropriate one another's property unjustly, nor bribe the judges, in order to misappropriate a part of other people's property, sinfully and knowingly." 2:188

Repercussion: "And let not their wealth or their children amaze you. Allah's Plan is to punish them with these things in this world, and that their souls shall depart (die) while they are disbelievers (wrongdoers)." 9:85

On the positive side, corruption is being acknowledged as a deterrent at the national level. However, official data on breach of integrity are usually not made public but examples abound. Bribery, for instance, has become a necessary evil particularly in the public sector.

Inside view of the institutions reveal heaps of malpractices prevalent in the public and private enterprises. These practices invariably compromise profits, market reputation and serious legal repercussions for the institution. A giant Pakistani banking institution suffered a fraud in its international operations. Consequently, not only it's current profit but long term profitability has been tremendously compromised. Like many viable projects of high economic significance stand defunct or incurring circular loss year after year. Out of many reasons, it is the lack of integrity in their operations. Private businesses face even higher vulnerability to collapse as they fail to develop an integrity management system.

- **Integrity:** Standard of legitimacy, ethical compliance, honesty and fairness in general behaviour of the management, executives, officers, functionaries and representatives with the constituents and of course vice versa.
- **Behaviour:** Actions and decisions challenging institutional integrity.
- **Bribe:** Demanding or accepting money or its equivalent in kind or undue favours in return for providing or facilitating illegitimate (or legitimate) service/advantage to the constituents.
- **Out-of-Course Facilitation:** Management and/or staff extends or intend to extend extra favours to a particular constituent or a group of constituents without causing or intend to cause damage to the institution or loss and/or damage to the rights of other constituents or third party in return for money or its equivalent in kind or undue favours from the constituents.
- **Harassment:** Members of the institution exerting or intend to exert undue influence on the constituents and vice versa for seeking illegitimate advantage from the other party.

Starting Point

IMS should aim to improve level of transactions' integrity by improving business process capability in optimally averting chances of malfeasance, misfeasance and nonfeasance at the individual and group levels. Besides, an independent Integrity Breach Response Process (IBRP) also needs to be put in place to salvage integrity lapses to the maximum. IMS can be visualised at two levels, namely:

- **Performance (Behaviour) Integrity:** Standard of legitimacy, ethical compliance, honesty, fairness and transparency in general behaviour of the staff vis-à-vis themselves and with the constituents in particular and/or public at large, and vice versa.
- **Process Integrity:** Invincibility of the defined activities and tasks to ensure performance integrity at all times. In reality, it is the process integrity that effectively harnesses as well as nurtures the performance integrity.

The IMS, however comprehensive, is bound to fall flat without the sustained commitment and direct involvement of the governing and management echelons. It is essential that the governing and management bodies acknowledge their responsibility towards upholding integrity, hence, should commit to Zero Tolerance Standard for the breach of integrity. They further need to commit resources to develop and continuously implement religiously the IMS within the institution's permeable work environment. Last, but not the least, they also should commit to ensure total adherence to the IMS by continuous educating, monitoring and of course responding to untoward incidences, justly and without bias.

A group of private sector interests, non-governmental organisations, and trade unions have developed business principles for countering bribery (Exhibit). In addition, the Organisation for Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and the International Chamber of Commerce (ICC) Rules of Conduct to combat extortion and bribery, and the anti-bribery provisions of the revised OECD Guidelines for Multinationals.

Governments, as well as public institutions and corporates including multinationals can build on these guidelines Integrity Management Framework that best suits their context and needs.

Road Map to Implementing Integrity Management System

Implementing a robust IMS entails a holistic approach. It is advisable for the institutions to develop IMS that best suit their unique nature of operations and integrity-risks facing the institution. Nevertheless, a typical IMS framework would consist of four components at its core, namely: board's commitment, policy declaration, strategies and systems and responsibility. While its outer core portrays the key outputs, namely: code of conduct, risk assessment and mitigation strategy, and implementation (enforcement) strategies.

Refer to the pyramid below:

Steps

- Mobilise board's commitment to integrity, using a business model.
- Document integrity policy to attain the credibility of the institution with zero tolerance for any kind of malpractices.
- Disseminate the IMS policy for wider awareness and acceptance.
- Functionalise an independent IMS under the direct guidance and control of the board through the chairperson.
- Evolve IMS organisation and processes, and integrate them within the bigger organisation to effectively and efficiently enforce integrity policy in letter and spirit.
- Assess business processes and positions to identify the integrity risk and evolve feasible mitigating and response strategies with specific outcomes and outputs defined.
- Align the institution's code of conduct and it's efficacy in the light of perceived integrity challenges facing the institution. It should categorically prescribe acceptable standards of moral behaviour (do's and don'ts) across the board.
- Shape the operational environment to ensure that all employees and constituents are cognisant of the highest level of responsibility and follow transparent and law abiding culture while transacting.
- Develop IT capacity to monitor and trail all transactions with a view to tracking individual interventions made by various individuals to pinpoint responsibility during investigations.
- Design a user friendly web based system to persuade individuals (constituents and employees) to seek clarity in case of integrity dilemmas arising in the course of doing their job, and to report malpractices without fail and fear. Preferably, direct contact information, phone numbers, email IDs and postal addresses of the responsible person(s) is provided on the web. Face-to-face meetings with the responsible persons(s) should be welcomed without fail.
- Prepare a comprehensive program to inculcate highly moral culture across the institution. The board must demonstrate compliance to the highest moral values as a prelude to developing moral culture across the organisation.
- Devise and follow a reliable and valid evaluation and monitoring system for the potential and existing incumbents to ascertain their moral reliability.
- Monitor the general morale of the employees and their esprit-de-corps to ensure that all employees' motivation is well harnessed and their aggregate dissatisfaction is not affecting their on the job behaviours.
- Violators must be dealt with iron hand and reprimanded, as promptly as possible, in open environment to create deterrence for others.
- Participative approach in the development stage is likely to benefit the enforcement of IMS.
- Maintain an active engagement with all the stakeholders to obtain first hand feedback about the integrity performance of the institution. Avoid judgmental and defensive response to what the stakeholders have to say.

Note: I like to dedicate this brief analysis to my mentor in governance and taxation Masood Aziz, retired collector of Customs.

Exhibit

Guidelines on Countering Bribery*

The Transparency International and Social Accountability International have developed following guidelines on combating bribery as a means to combating corruption/malpractices:

A. Principles

The enterprise shall prohibit bribery in any form, whether direct or indirect.

The enterprise shall commit to implementation of a program to counter bribery.

Bribery is an offer, receipt (or demand) of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something which is dishonest, illegal, or a breach of trust in the conduct of the enterprise's business. Facilitation, which is also called 'facilitating', 'speed' or 'grease' payments, are small payments made to secure or expedite the performance of a routine or necessary action to which the payer of the facilitation payment has legal or other entitlements.

B. Program Aims

Eliminate bribery (corruption).

Demonstrate commitment to countering bribery.

Make a positive contribution to improving business standards of integrity, transparency, and accountability wherever they operate.

C. Program Contours

In developing its program for countering bribery, an enterprise should analyse which specific areas pose the greatest risks from bribery.

The program should address the most prevalent forms of bribery relevant to the enterprise but, at a minimum, should cover the following areas:

i. **Bribes:** The enterprise should prohibit the offer, gift, or acceptance of a bribe in any form, including kickback, on any portion of a contract payment, or the use of other routes or channels to provide improper benefits to the customers, suppliers, or employees of any such party or government officials.

The enterprise should also prohibit an employee from arranging or accepting a bribe or kickback from customers, agents, contractors, suppliers, or employees of any such party or from government officials, for the employee's benefit or that of the employee's family, friends, associates, or acquaintances.

ii. **Political contributions:** The enterprise, its employees, or its agents should not make direct or indirect contributions to political parties, organisations, or individuals engaged in politics as a way of obtaining advantage in business transactions.

iii. **Charitable contributions and sponsorships:** The enterprise should ensure that the charitable contributions and sponsorships are not being used as a subterfuge for bribery.

The enterprise should publicly disclose all its charitable contributions or sponsorships.

iv. **Gifts, hospitality, and expenses:** The enterprise should prohibit the offer or receipt of gifts, hospitality, or expenses whenever such arrangements could affect the outcome of business transactions and are not reasonable and bona fide expenditures.

D. Program Implementation

i. **Organisation and responsibilities:** The Board of Directors (BoD) or equivalent body should base their policy on the business principles and provide leadership, resources, and active support to the management's implementation of the program.

The CEO is responsible for ensuring that the program is carried out consistently with clear line of authority.

The BoD, CEO, and senior management should demonstrate visible and active commitment to the implementation of the business principles.

ii. **Business relationships:** The enterprise should apply its program in its dealings with the subsidiaries, joint venture partners, agents, contractors, and other third parties with whom it has business relationships.

iii. **Human resources:** Recruitment, promotion, training, performance evaluation, and recognition should reflect the enterprise's commitment to the program.

The enterprise should make it clear that no employee will suffer demotion, penalty, or other adverse consequence for refusing to pay bribes, even if it may result in the enterprise losing business.

The enterprise should apply appropriate sanctions for violations of its program.

Managers, employees, and agents (and where appropriate, third parties) should receive specific training on the program.

iv. **Raising concerns and seeking guidance:** To be effective, the program should rely on employees and others to raise concerns and report violations as early as possible. For this, the enterprise should provide secure accessible channels through which employees and others are able to raise concerns and report violations (whistleblowing) in confidence and without risk of reprisal.

These channels should also be available to employees and others to seek advice and suggest improvements in the program.

v. **Communication:** The enterprise should on request, publicly disclose the management systems it employs in countering bribery. And it should be open to receiving communications from the relevant interested parties (groups) with respect to the program.

vi. **Internal control and audit:** The enterprise should make arrangements for independent audit of its records especially financial books and statements.

vii. **Monitoring and review:** Senior management (preferably the board) should monitor the program periodically and review its suitability, adequacy and effectiveness (efficacy), and implement improvements as appropriate. The program performance should be reported to the board (or audit committee) on periodic basis.

*Source: Business Principles for Countering Bribery, A Guide to Building Corporate Governance in the 21st Century (Third Edition), Centre of International Private Enterprise.

The Future of Corporate Reporting – Creating the Dynamics for Change

by Petr Kriz and Hilde Blomme

Corporate reporting is an essential means by which companies communicate decision making information with stakeholders, as part of their accountability and stewardship obligations.

Rapid changes in the broader business environment have increased concerns over whether corporate reporting continues to fulfill its objectives. Currently, there is no common view on what the problems are, let alone how to adapt corporate reporting to fix them in order to achieve a better depiction of the economic position and performance of entities. The Federation of European Accountants (FEE) recently issued **The Future of Corporate Reporting—Creating the Dynamics for Change**, which aims to stimulate a broad discussion and all stakeholders are invited to participate.

The momentum for change towards better communication and improved accountability of companies is obvious from the increasing public debate on, and interest for, corporate reporting. Corporate reporting is an essential means by which companies communicate decision making information with stakeholders, as part of their accountability and stewardship obligations.

Corporate reporting, like other business activities, should keep pace with the developing economic reality and address the needs of a wide stakeholder audience.

Technology plays an important role in how corporate reporting evolves, as it both drives and enables change. Technology is already rapidly changing the business landscape, disrupting existing business models, and yet corporate reporting does not seem to be keeping up with these developments. Undoubtedly, technology will significantly change the way that corporate reporting is prepared and the way that it is delivered to its audience.

Changes in technology lead to an increased access to, and interest in, corporate affairs and as a result, the audience for corporate reporting is continually growing. It is envisioned that at some point, corporate reporting needs to properly address the needs of this ever wider audience.

Building on the premise of a growing audience, the content of corporate reporting should expand to address the wider needs for corporate information, both regarding financial and non-financial matters with a short and long term focus.

Financial information reporting seems to be partly losing its relevance among its intended users. Many argue that financial information reporting is not sufficiently timely and provides an overload of information. More flexibility in the latter might result in financial information reporting regaining its relevance.

Non-financial information reporting is at an early stage of development and, therefore, it faces challenges that derive from different standard setters providing a patchwork of guidance. Coordination among them, as well as international convergence and decisive leadership, is a key to overcoming the main challenges for non-financial information reporting.

A new approach to corporate reporting is suggested in the FEE paper, whereby a company produces an executive summary of its corporate affairs, supported by more detailed information: CORE & MORE. It is envisaged to replace all corporate reports that exist today. The CORE would serve as the executive summary, where only the relevant and material matters would be presented. MORE reports could include additional information about the entity while some would support the information reflected in the CORE. The content would depend on the company's assessment of its stakeholders'

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information needs. Dynamic, periodic, and/or ad-hoc elements could be a way for updating the CORE & MORE where each part is updated independently without affecting the other parts.

As with the other aspects of corporate reporting in the future, technology will be critical. The CORE & MORE model would be heavily dependent on the use of technology, especially if it would support the proposal for the three distinct elements.

A prerequisite for a change in corporate reporting in the future is the support from all financial reporting constituents. One of the most important elements is the approach from policy makers and standard setters. They need to allow room for innovation and experimentation in corporate reporting. A comparison of the results from a 'test group', where innovation is allowed, to the results from the general population is one of the best approaches to assess the results of experimentation. Having said that, policy makers and standard setters need to ensure an adequate level of standardisation to ensure a meaningful level of comparability. Seeking the balance between innovation and standardisation is the most challenging aspect in developing the future of corporate reporting.

The FEE Cogito paper aims to stimulate the debate among different constituents about the future of corporate reporting. As the process of communication and accountability has consequences for a broad range of constituents, the suggestions in this paper should be of interest to a broad range of stakeholders. The FEE Cogito paper asks questions inviting constituents to participate in the debate for the future of corporate reporting.

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

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Effective & Efficient Economy with Integrated Information Technology System

by Ahmad Rashid

"We always have time enough, if we will but use it aright." – Johann Wolfgang von Goethe, German writer and statesman.

The overall theme of this article is how to improve economic system, make if efficient and effective and to reduce the cost of doing business. After reviewing the integrated IT system in developed countries, I would like to share an idea in this regard.

Consumer satisfaction plays a key role in the success of every business. Consumers in utility industries are facing problems, especially at the time of utility bills payment. These problems can be solved by centralised Electronic Bill Presentment and Payment (EBPP) service through an integrated IT system and network of banks in Pakistan. For this purpose, there should be a Central Entity (CE) and Billers (a company that provides services to its customers) and designated banks should be members of that CE.

Electronic Bill Presentment and Payment Service

According to Investopedia, the definition of Electronic Bill Presentment and Payment (EBPP) service is as follows; a process used by companies to collect payments via internet, direct dial access, ATM or other electronic method. EBPP is a core component of financial institutions' online bank offerings. There are typically two types of EBPPs:

i. Biller-direct refers to electronic billing offered directly by the company providing the good or service.
ii. Bank-aggregator refers to paying multiple bills electronically through your bank.

The process of this mechanism is as follows:

- The CE must have a centralised EBPP Service.
- The CE must have integrated IT system with network of banks in Pakistan.
- The CE will assign a unique ID to the Biller to distinguish it from others in all electronic processes.
- The Biller submits the billing date of all customers to CE in order to process in EBPP.
- The CE will process the data and information provided by the Biller and make them available for member bank access.
- The CE will maintain the data and information uploaded by the Biller in real time for payment transaction.
- The CE will notify the Biller of payments made through CE channels in real time or batch mode as selected by Biller.
- The CE will maintain a secure, self-service intranet portal available to member banks and Billers.

Consumer satisfaction plays a key role in the success of every business. Consumers in utility industries are facing problems, which can be solved by centralised Electronic Bill Presentment and Payment (EBPP) service through an integrated IT system and network of banks in Pakistan.

Many developed countries are using this EBPP that enables business and customers to directly pay their bills, issued by Billers who are members of CE through member banks, in real time online mode through CE. The customer just needs to go the ATM of his bank, and enter the utility bill number. The ATM will show outstanding balance payable, which can be paid in real time. The acknowledgement message will also be sent to customer on his registered mobile number. It will also reduce the cost of business of printing the bills, delivery of bills to customers, collection of Scroll from Banks (currently this service is being provided by National Institutional Facilitation Technologies [NIFT]), and reconciliation of billing with collection. The customer can save his time by avoiding long queue in banks. This option can also be available through internet banking. This system can also be used for airline and railway ticketing.

The Pakistan internet banking system needs to be reviewed, which must provide customers the option of adding their Utility Bill Number in bank account details. The system must provide options of One Time Payment and Regular Payment. One Time Payment option can be used for airways or railways ticketing, whereas, Regular Payment option can be used for monthly utility bills payment.

The Biller shall use the assigned unique Biller ID in all its electronic communications with CE, and this ID should be shown on all Biller bills. At the time of issuance of the bill, the Biller will send an electronic file containing the details of customer to CE which will update the EBPP. A message will be sent to customers at registered mobile number showing amount and due date of bill. The member banks' customer data will also be updated with billing amount. The customer will go to his bank's ATM and select the option of Pay Bill. It will show the amount of bill and the bill can be paid in real time.

Benefits of EBPP

The benefits of implementing and using this system are as follows:

- Increased cash flows, since customers are getting bills faster and will pay faster.
- Reduction in customer service related expenses, through self-service customer support.
- Reduction in the operating cost associated with generating and sending bills and statements to customers.

The potential for savings in EBPP is way more, however, the reality is often quite different since even after spending huge amounts of money in implementing this system, companies fail to realise the savings they expect from EBPP. The reason being that all these system are much more dependent on customer behaviour. Customer self-service doesn't reduce expenses if customers don't use it and thus, such electronic billing and payment mechanisms are only effective in reducing expenses if customers accept them as sustainable alternatives to the paper methods they are in the habit to using.

Like pizza? Go, grab it!

by Muhammad Waqas

Dieting Plan search, and in 0.60 seconds you get a whopping 3.2 million websites. While it speaks volumes for the information available on the internet on this subject, you can deduce two very common observations about these beaten paths to fitness:

- They are going to make it look a quick fix, like a 7 day or 28 day plan; and
- They will make you do things you don't like. (Who likes a pumpkin soup for dinner?)

The downside of these methods is what I call a 'Snap-back effect' which is, falling back to your old lifestyle. Because, after those specific intervals of a few weeks which you may stretch to a few months by your will power or strength of your personal reasons to get lean, you are going to like that pizza again; and we like to count slices of pizza rather than calories in a pizza, don't we?

So how do you look lean and stay fit and healthy without counting those calories or nutrition based diets?

Staying fit is not a daily plan, it's more a mindset and doing ordinary things extraordinarily well. Here's a look at **ten** such ordinary things:

1. Start your day big – have breakfast: Many of us, specially working in the corporate sector, have this habit of somehow skipping on breakfast. Well, don't. In morning, our body needs energy like a vehicle with empty tank needs fuel. On another note, never starve. Eat as and when you like to.

2. Be water! My friend: As we hustle through our day, we somehow or the other skip water – we either forget or we don't bother. Fluids help blood to flow through our system making our immune system effective and keep us active and metabolic. Water doesn't have to be in the form of water only, it can be fresh juices, squeezing in a few lemons, cinnamon or green tea or whatever suits your tongue but keeps the juices flowing. Carry a bottle, it helps.

3. Don't be water: As much as we forget to have water throughout the day, we have this great tendency or urge to drink plenty of water right after a meal. Having liquids after a meal swells your stomach and halts your digestive system. So, if you want to have fluids, have plenty, but before the meal.

4. Zero sugar: This is probably the only thing you would find common in most diet plans and it really works. Excessive sugar, which is not natural, affects your bloodstream making your body a stock house of impurities leading to diseases including excessive fat. So replace your sugar intake but not your sweet tooth. Go for fresh juices.

5. Make it ¾: It's very difficult for you to resist food, especially when you are a foodie! You like to eat, go grab it, but reduce your plate to ¾ of your usual plate. Fueling a stomach completely is like filling the juice blender right till the top, resulting in outflow when the content is squeezed by the machine. Excess food sticks as fat.

6. Be a mincing machine: As much as you like to eat, it is important to enjoy it as well. So don't gulp it down, slow down your pace and chew it well. It makes it easy and quick for the digestive system.

7. One cheat meal: Normally it's a cheat meal once a week. But cheat all day, only have one meal a day that is more rich and less processed. It could be anything that you like, a steak or a spicy grilled fillet or anything else that suits your taste.

8. Sleep well: Appropriate amount of sleep is essential to shut our system down and restart it to function effectively. A malfunctioning system works on the principle 'Garbage in, garbage out' (GIGO). Sleep well, a system which captures good input, delivers better output.

9. Exercise: Imagine yourself sweating and running out of breath after a long day at office? Yes, I know it's tough but I guess our approach to it is wrong. You don't run a mile on the first day, rather try and go for a walk with some music. Slowly and gradually, pick up the pace and try and feel how it detoxes your body. Flex it to make it enjoyable rather than a misery.

10. Think healthy: Lastly, if you think you are fat, you are going to stay fat. Think lean, think healthy, your mind will pick healthy habits.

The above recommendations won't make you lose 4lbs in 4 days but will slightly alter your lifestyle in a way your mind likes and can accept it as a permanent mode which will eventually develop a leaner look.

So you like pizza? Go, grab it! It doesn't make you fat, your thoughts do.

The Best Time to Change

by Altaf Noor Ali

Many of our clients have a passion to make things better, but there are few with the right attitude towards change.

Sure, clients are different. Anybody's favourites are the ones who go through the full cycle to reach to the right conclusions and support the resultant change enthusiastically; but we find that most come with a baggage and an inbuilt defensive approach. The paradox? They wish to change, they know they should change but find it difficult to do so. When you do not wish to change, you come with so many reasons not to do so; call it compulsions or practicalities, or whatever.

As consultant, our job is to question and to seek the right answers. You need the right attitude and a sense of urgency to make a change; not promises.

My last assignment was for a client where my mission was to team up with the CFO to bring about changes which go on to make the accounting information system better.

We started with something as trivial as reviewing the chart of accounts. I observed that the accounting code used by my clients for capturing transactions in the accounting system was 14-digit long; it emerged that it was done so at the advice of the IT consultant.

The system was such that a voucher was prepared manually by the staff and approved by the concerned supervisor with the account title but without account numbers; those were added while entering the data of the entry on the screen at a later stage.

The next stop was to get hold of the IT consultant. He told us that it was a standard feature of their accounting software which they retained, as nobody asked them to change it. Of course, it can be changed to any number of digits. With these facts, we started discussing how long an account number should be and we found it not to be longer than five to seven digits. We eliminated the digits that were frivolous.

The next question was from when shall we effect the change; should we wait till the completion of the present year to bring about the change? We were at the middle of the year and all the vouchers up to that point were prepared on the extant system. The sheer volume of transactions was so much that it would have taken unproportionate number of hours to get the previous vouchers done right. Otherwise, it would have confused the staff, the auditors, and the rest.

I was expecting that the CFO will propose that we bring the new system of coding of chart of accounts for the next year. However, he called a brief meeting with the IT consultant to time the change.

The IT consultant gave us a green signal that it can be done immediately for the future transactions. Normal work will be disrupted for few days but it can be done.

The question was what to do with the past transactions? A solution was to close the books for six months on the extant system and move on with the new one with new balances. Pitfall? The information, for the year, for an account, may not appear on one screen. Option two was to redo all the past entries with fresh account numbers. Option three was to run the new codes on test basis and make it effective next year.

I could sense that the CFO was keen to make a change. "Why wait till eternity when you know that is the right thing to do?" he said. "The best time to rectify a mistake is when you come to know about it," he added. It took us a month but the system was converted to the new coding.

Our IT consultant came to our rescue. We closed the books for the first six months and transferred the balances to the new system. A way was found to associate the new code with the old one through an additional field. Now, if we wanted a full year view of an account, we had to go by the account title and period and the output was displayed.

Not surprisingly at all that the kind of quotes I find framed on the CFO's wall say: "Where there's a will, there's a way"; "NOW is the time to change. NOW is the time to start something. NOW is the time to make it right."

These days when I go to a client, I surely long for picture frames containing such motivational quotes before accepting an assignment.

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