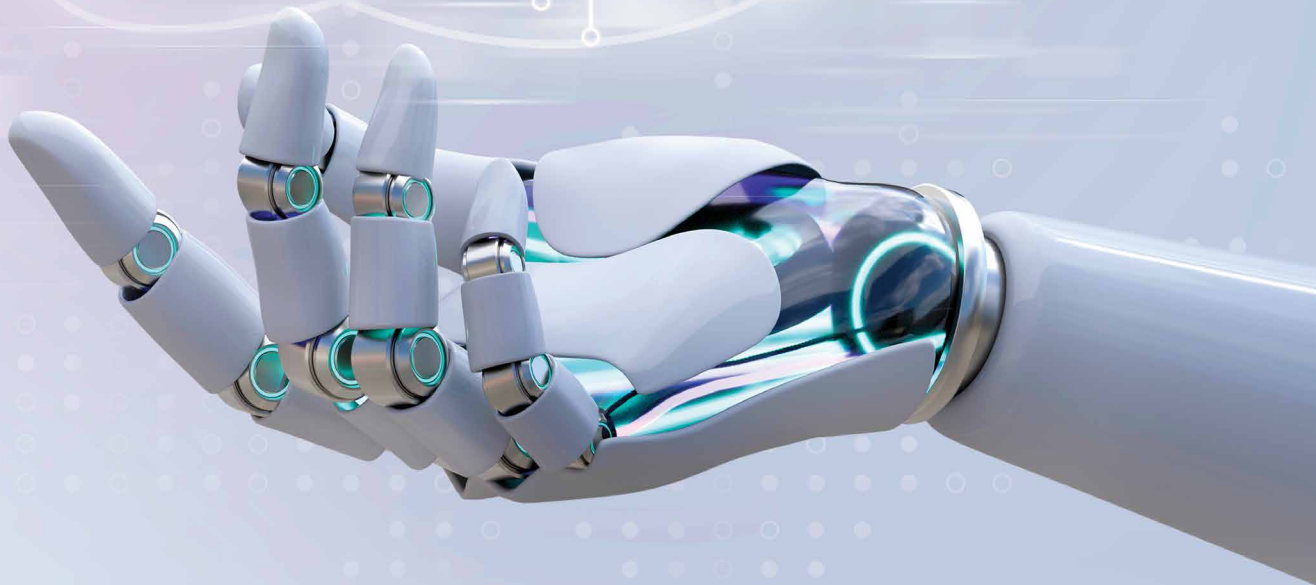


AI IN FINANCE & ACCOUNTING



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TECHNOLOGICAL INNOVATION

Artificial Intelligence, Blockchain, Virtual Reality, Augmented Reality, Quantum Computing and Robotics are the emerging technologies that are predicted to face shift the future world. UAE, as usual, is leading the way in embracing these advanced technological innovations. Ministry of Industry and Advanced Technology (MoIAT) programmes have helped pave the way for innovation, tech advancement, and establishment of green industries. In a groundbreaking development, the esteemed President of the UAE, His Highness Sheikh Mohamed bin Zayed Al Nahyan, has enacted a law of considerable significance, on January 2024, giving rise to the Artificial Intelligence and Advanced Technology Council (AIATC). This Council assumes a pivotal role in formulating and executing visionary policies and strategies in research, infrastructure, and investments pertaining to artificial intelligence and advanced technology within the realm of Abu Dhabi.

In an yet another remarkable initiative, the UAE has created the Dubai Virtual Assets Regulatory Authority (VARA) making it the world's first regulatory authority to enter the metaverse and establishing its headquarters in the virtual world. Moreover, the UAE has already begun integrating AI with industries such as education, healthcare, space, transportation, and aviation. AI is a key part of the ambitious plans of the UAE government to diversify their economy to become a knowledge economy. The UAE's proactive approach in these fields positions it well to navigate the challenges of the 21st century and beyond, driving not just regional but global advancements in technology.

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Hello From Us

VIJAYA MOHAN
Managing Partner
Evas International



Dear Readers,

Indeed, Artificial Intelligence (AI) is currently one of the most transformative forces in technology, influencing numerous industries and everyday life in profound ways. The anticipation around AI is largely due to its potential to automate complex processes, enhance human capabilities, and create efficiencies never seen before. In fields such as healthcare, transportation, and customer service, AI is already making significant inroads. Overall, the world is indeed watching closely to see how AI will continue to evolve and reshape our existence, making it one of the most pivotal technologies of our time.

AI is set to dramatically transform the landscape of finance and accounting. These changes are driven by AI's ability to process large volumes of data quickly and with high accuracy, enabling more efficient operations, improved financial decision-making, and enhanced customer experiences. Since technology has a significant impact on how our profession evolves, we at Evas International are dedicated to taking the lead in implementing cutting-edge solutions while keeping up with changing legal and professional requirements. We urge everyone involved, such as our colleagues and clients, to seize the opportunity presented by technological advances in finance and accounting.

The excitement around AI also comes with its set of challenges and questions, particularly concerning ethics, compliance, privacy, security and employment impacts. At Evas International, our commitment is to maintain the highest levels of regulatory compliance while responsibly utilizing these technologies. As technology and knowledge merge to create success in the future, we are well-positioned to guide our clients through this transition through proactive adaptation and ongoing learning.

Hello From Us

The UAE Council for Artificial Intelligence and Blockchain is an ambitious initiative reflecting the UAE's commitment to becoming leader in the field of artificial intelligence (AI) and blockchain technology. This move is part of a broader strategy to diversify the economy, foster innovation, and establish the UAE as a hub for technology and business. The numerous seminars and conferences that take place across the UAE related to AI, blockchain and crypto currency technologies, underscore a strong institutional interest and a robust investment of the nation, in knowledge-sharing and technological advancements, which is again supported by a solid legal framework.

In our continuous effort to enrich our newsletter with diverse perspectives and expert insights, we are thrilled to introduce a standout article in our April 2024 edition, contributed by Mr. Nishanth Nottath, the esteemed Chairperson of the Digital Working Group. This edition features Mr. Nottath's expert analysis on "The Role of Technology in Combating Financial Crime". It's a well-articulated piece that draws on Mr. Nottath's extensive experience and his commitment to leveraging technology for enhancing financial security. We extend our heartfelt thanks to Mr. Nishanth Nottath for taking time out of his busy schedule to share his valuable insights with our readers.

With all these technological advancements and excitements in the background, Evas International is presenting its new edition of Evas International Plus Newsletter, April 2024. We wish all our readers a wonderful time ahead and we hope that our effort to enrich you in your quest for knowledge is fulfilled.

Thank you for your continued support and trust bestowed upon Evas International.
Warm regards,

Happy Reading !



ROLE OF TECHNOLOGY IN COMBATING FINANCIAL CRIME



NISHANTH NOTTATH
Chair, Digital Working Group

The UAE AML/CFT Partnership Forum established a Digital Working Group to explore the role of technology in combating financial crime. Led by me, Nishanth Nottath, the group aimed to engage industry experts in discussions on leveraging breakthrough technologies to address challenges posed by evolving financial ecosystems.

The Digital Working Group, established in Q3 2022, comprises eight industry practitioners and has since expanded its engagement to include around 45 regional and global experts. The group's primary objective was to produce a White Paper focused on advancements in Anti Financial Crime (AFC) technologies for fighting financial crime.

The financial services industry has experienced significant disruption due to technology, leading to faster transactions and increased fragmentation, which poses challenges to transparency. With breakthroughs in processing speeds (GPUs), increasing availability of Cloud ecosystem, we are witnessing unprecedented pace in adoption of tech, advanced analytics and models in the AFC arena. However, advancements in Generative AI and Large Language Models (LLMs) have opened new avenues for enhancing anti-financial crime (AFC) efforts. Leading global companies are investing billions in the next frontiers of technology – Quantum computing and Artificial General Intelligence (AGI). It is critical that AFC practitioners keep a close tab on emerging tech as these will have a direct impact on their work. Criminals are always on the look-out for better ways to obfuscate their trails of crime. We should remain at the forefront, and the mission will only be successful if we remain up to-date and master these technologies.

The shift towards 'Compliance in design' is emphasized, advocating for preventive controls to scale products and services securely amidst the rapid expansion of digital financial offerings. This transformation requires a shift in both mindset and skill-set among AFC professionals to build future-ready compliance programs.

The Executive Summary discusses the significant changes in the financial sector over the past 50 years, attributing globalisation and technological innovation with facilitating illicit financial flows. Despite substantial investments in compliance, only a fraction of these flows are detected, necessitating a more efficient approach.

Key areas of focus outlined in the White Paper include:

- 1 KYC, CDD, Onboarding:** The KYC process is one of the more essential elements of the compliance process, and it plays a vital role in the relationship between an organisation and its customers. There is a need to streamline the KYC process, move towards digital transformation, and improve accuracy to enhance efficiency and customer satisfaction.
- 2 Transaction Monitoring and Surveillance:** Transaction monitoring and surveillance processes, critical for identifying and preventing financial crimes, are challenged by the diversification of financial services and emerging payment methods. Traditional monitoring processes struggle to keep pace with dynamic financial transactions, calling for updated systems and standards to counter emerging risks effectively.
- 3 Screening:** This section explores the complexities of name screening, emphasising the importance of considering variations in spelling and transliterations. Name and transaction screening remain fundamental in AFC frameworks, requiring continuous vigilance and technological adaptation to mitigate risks.
- 4 Large Language Models (LLMs):** LLMs are highlighted as powerful tools in KYC and screening processes, necessitating a balance between automation and human expertise. However, integrating Generative Artificial Intelligence (gen AI) introduces ethical and operational considerations, underlining the importance of balancing automation and human expertise.
- 5 Model Risk Management / Data:** The Model Risk Management Framework (MRMF) becomes a crucial tool in identifying, assessing and managing these risks. The report highlights the critical components of a robust MRMF, emphasising the importance of collaboration between compliance professionals and independent model review teams. Financial institutions rely heavily on models for decision-making, necessitating robust risk management frameworks to address evolving regulatory landscapes.
- 6 Core Models (EWRA / FCRA, CRRM):** Enterprise-wide risk assessments (EWRA) are critical in combating money laundering and terrorist financing, despite challenges in technological development compared to other areas like KYC. The section describes the slower pace of technological development in EWRA compared to other areas like KYC and transaction monitoring. It explores opportunities for progress, particularly in automating data collection, creating interactive reporting dashboards, and leveraging blockchain for transparent recordkeeping.
- 7 Virtual Assets:** This chapter discusses the inherent challenge of synchronising technological development with regulatory evolution. While virtual assets hold promise for financial crime detection, experts point out the lag in regulatory oversight. The integration of blockchain analytics with traditional financial crime technology is explored, emphasizing the need for synchronized technological and regulatory advancements.

The report concludes with insights from industry experts, highlighting the importance of multi-skilled AFC professionals well-versed in emerging technologies to navigate evolving financial crime landscapes effectively. The convergence of technology and anti-financial crime is at a critical juncture, and a comprehensive and adaptive approach is needed to navigate a quickly evolving landscape. "A FC professional of the future (I would say that it is a need of today) needs to be well versed with emerging / emerged technologies that are driving change and disruption to seasoned systems and processes as technology is evolving rapidly, introducing greater opportunities but also greater risks.

In summary, the White Paper provides a comprehensive analysis of the intersection between technology and anti-financial crime efforts, emphasizing the need for innovative approaches to combat financial criminals in an increasingly digital environment.

These are exciting, once in a generation time for AFC professionals to forge ahead and be at the forefront of fighting financial crime, aided by cutting edge technology. I wish all the readers every success in this journey to make the world a safer place.

RELATED PARTIES' TRANSACTIONS: TRANSPARENCY, COMPLIANCE AND REPORTING



AN OVERVIEW UNDER UAE CORPORATE TAX, INTERNATIONAL ACCOUNTING STANDARD (IAS24) & INTERNATIONAL STANDARD ON AUDITING (ISA 550)

"Related parties" is a term used across various disciplines in business, particularly in accounting, auditing, and finance, to describe relationships where **one party** has the **ability to exert** significant **influence** over the management or financial decisions **of another**. When there is a possibility of influencing one party by the another, it is natural that the Authorities and the Stakeholders of the business demand more compliance and transparency with the transactions amongst these parties. The transactions between related parties are scrutinized differently than transactions with unrelated parties primarily due to their potential impact on financial fairness and transparency. Therefore, understanding on how related parties and their transactions are treated across various domains like UAE Corporate Tax, International Accounting Standards and International Standards on Auditing is crucial for maintaining compliance and transparency in business operations.

This article is divided into 3 sections covering:

- A Related Parties and UAE Corporate Tax (CT)
- B Related parties and International Accounting Standards (IAS 24 - Related Party Disclosures)
- C Related parties and Standards on Auditing. (ISA 550, "Related Parties")

The narratives are mainly to include the identification, compliance, governance, reporting, transparency, and fairness which needs to be maintained and ensured while the business has related parties' transactions. This comprehensive analysis will cover the identification of related parties, the treatment and disclosure of related party transactions, and their broader impact, along with a discussion on various statutory compliance requirements.

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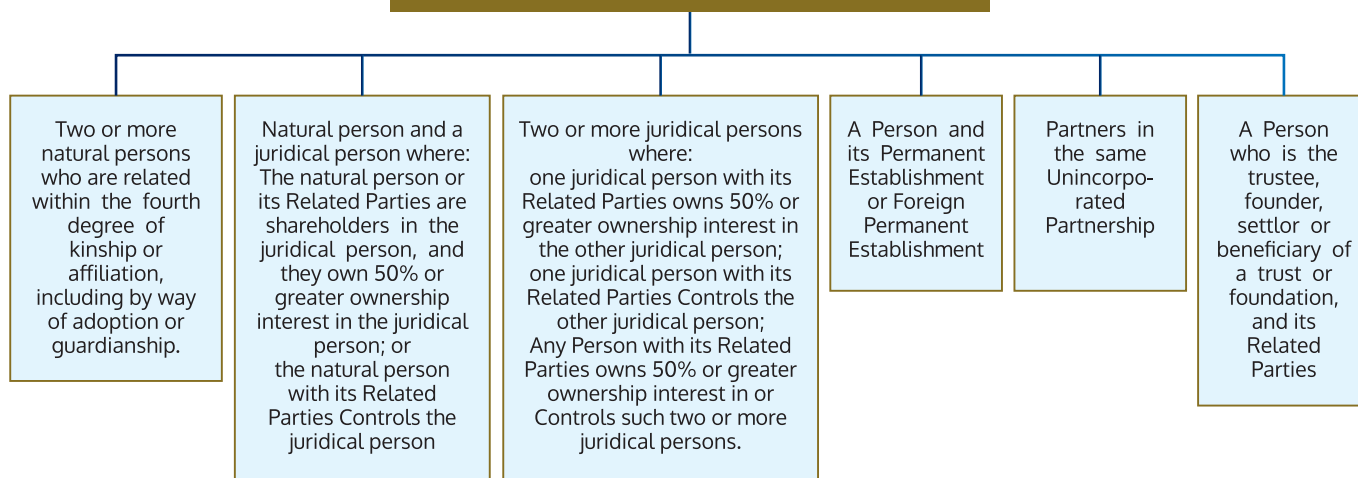
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1 WHO IS A RELATED PARTY UNDER CT ACT

RELATED PARTIES INCLUDES (ARTICLE 35)



CONTROL

- Ability to exercise 50% or more of the voting rights
- Ability to determine the composition of 50% or more of the Board of directors
- Ability to receive 50% or more of the profits
- Ability to determine, or exercise significant influence over, the conduct of the Business and affairs

FIRST DEGREE OF KINSHIP AND AFFILIATION INCLUDES:

1. Spouse
2. Parents of Natural Person
3. Parents of Natural Person's spouse
4. Children of Natural Person
5. Children of Natural Person's spouse

SECOND DEGREE OF KINSHIP AND AFFILIATION INCLUDES:

1. Grandparents of Natural Person
2. Grandchildren of Natural Person
3. Brothers/sisters of Natural Person
4. Grandparents of Natural Person's spouse
5. Grandchildren of Natural Person's spouse
6. Brothers/sisters of Natural Person's spouse

THIRD DEGREE OF KINSHIP AND AFFILIATION INCLUDES:

1. Great-Grandparents of Natural Person
2. Great-Grandchildren of Natural Person
3. Brothers/sisters of Natural Person's parents
4. Children of Natural Person's brothers/sisters
5. Great-Grandparents of Natural Person's spouse
6. Great-Grandchildren of Natural Person's spouse
7. Brothers/sisters of parents of Natural Person's spouse
8. Children of brothers/sisters of Natural Person's spouse

FOURTH DEGREE OF KINSHIP AND AFFILIATION INCLUDES:

1. Great-Great-Grandparents of Natural Person
2. Great-Great-Grandchildren of Natural Person
3. Brothers/sisters of Natural Person's Grandparents
4. Grand Children of Natural Person's brothers/sisters
5. Children of brothers/sisters of Natural Person's parents
6. Great-Great-Grandparents of Natural Person's spouse
7. Great-Great-Grandchildren of Natural Person's spouse
8. Brothers/sisters of Grandparents of Natural Person's spouse
9. Grand Children of brothers/sisters of Natural Person's spouse
10. Children of brothers/sisters of parents of Natural Person's spouse

Further, the UAE CT Law, also mentions about Connected Persons, which includes:

- (a) an owner of the entity,
- (b) director or officer of the entity or
- (c) related party of (a) and (b)

2 TRANSACTIONS WITH RELATED PARTIES – TRANSPARENCY AND COMPLIANCE UNDER CT LAW

Following are the key summarized aspects to be kept in mind while assessing the related party transactions under CT Law.

- (1) In determining Taxable Income, transactions and arrangements between Related Parties must meet the **arm's length standard**.
- (2) Arm's length standard is met if the results of the transaction or arrangement are consistent with the results that would have been realized if Persons who were not Related Parties had engaged in a similar transaction or arrangement under similar circumstances. In simple terms, related party transactions are said to be at Arm's length when it matches all the characteristics of a non-related party transaction, under similar conditions.
- (3) In order to ensure the related party transactions are at Arm's length, a pricing methodology is developed internationally, which is accepted world-wide by the Governments, Accounting Bodies and various such authorities. This pricing of transactions or arrangements between Related Parties or Connected Persons that are influenced by the relationship between the transacting parties are called as Transfer Pricing.
- (4) For example, an owner/shareholder of a business will be able to deduct their salary when determining the Taxable Income of the Company, but only insofar as this salary corresponds with the Market Value. To determine if the value of a service or benefit provided matches its Market Value, the arm's length principle should be applied.
- (5) There are various transfer pricing methods to determine the Arm's length principle (ALP)
 - (a) The Comparable uncontrolled price method.
 - (b) The resale price method.
 - (c) The cost-plus method.
 - (d) The transactional net margin method.
 - (e) The transactional profit split method.
- (6) The Tax Authority examines whether income and expenditure resulting from a taxable person's relevant transaction or arrangement with the related parties, meet the arm's length standard based on the transfer pricing method employed and its appropriateness. If the result of the transaction does not fall within the arm's length price range, the Authority adjusts the taxable income of the taxable person to achieve the arm's length result that best reflects the facts and circumstances of transaction or arrangement.
- (7) As part of the Compliance Requirements under CT law, the specified Companies are required to maintain various Transfer Pricing Documentations as well.

To conclude, the introduction of the Corporate Tax (CT) regime in the UAE marks a significant shift in how businesses must handle related party transactions. Historically, many UAE companies might not have maintained stringent records or adhered to formalized practices for these transactions, primarily due to the lack of a comprehensive tax framework or any other mandatory requirements. However, with the implementation of CT, there is a heightened emphasis on compliance, transparency, and accountability. Under the UAE CT law, the arm's length principle is central to related party transaction regulations. These principals mandate that the terms and conditions of transactions between related parties should be equivalent to those that would have been made with unrelated parties under similar circumstances. This is critical for maintaining transparency, preventing tax evasion, and ensuring fairness in financial reporting and tax obligations. For businesses, adhering to these new regulations is not just about compliance; it's about ensuring fair and transparent business practices that can sustain long-term growth and stability.

IAS 24 - RELATED PARTY DISCLOSURES

INTRODUCTION

IAS 24, "Related Party Disclosures," sets out the requirements for disclosing information about transactions and outstanding balances between a reporting entity and its related parties. Related party relationships can have a significant impact on an entity's financial position and performance, which is why transparency in reporting is crucial.

OBJECTIVES OF IAS 24

The primary objective of IAS 24 is to ensure that an entity's financial statements provide users with sufficient information to understand the nature and extent of its relationships with related parties and the effects of those relationships on its financial position, financial performance, and cash flows.

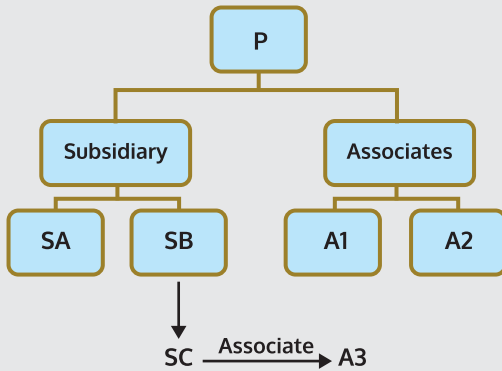
WHO ARE RELATED PARTIES?

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

- a A person or a close member of that person's family is related to a reporting entity if that person:
 - (i.) has control or joint control over the reporting entity.
 - (ii.) has significant influence over the reporting entity; or
 - (iii.) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- b An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

EXAMPLE ON RELATED PARTIES



- ▶ In the separate or individual financial statements of P Ltd, SA Ltd, SB Ltd, SC Ltd are related to each other and A1 Ltd, A2 Ltd and A3 Ltd are related parties for the above entities.
- ▶ A1 Ltd, A2 Ltd and A3 Ltd are not related to each other.
- ▶ In case of P's consolidated financial statements, A1 Ltd, A2 Ltd and A3 Ltd are related parties.

WHO ARE NOT RELATED PARTIES

The standard clarifies that certain standards are not related party relationships. They are:

- Two entities are not related parties simply because they have a director or other member of a key management personnel in common or because of key management personnel of one entity has significant over the other entity
- Two venturers are not related parties simply because they share joint control over a joint venture
- providers of finance, trade unions, public utilities, and departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process)
- a single customer, supplier, franchiser, distributor, or general agent with whom an entity transacts a significant volume of business merely by virtue of the resulting economic dependence

UNDERSTANDING RELATED PARTY TRANSACTIONS

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Examples of related party transactions are:

- | |
|--|
| (a) Purchase or transfer or sale of goods |
| (b) Purchase or transfer or sale of property and other assets |
| (c) Rendering or receiving of services |
| (d) Leases |
| (e) Transfers of research and development |
| (f) Transfers under license agreements |
| (g) Transfers under finance arrangements (including loans, equity contributions in cash or kind) |
| (h) Provision of guarantees or collateral |
| (i) Settlement of liabilities on behalf of the entity or by the entity on behalf of that related party |
| (j) Commitments to do something if a particular event occur or does not occur in the future, including executory contracts |
| (k) Management contracts for deputation of employees if any |

The disclosure requirements can be broadly classified in to two categories.

A

Category 1 requires disclosures of relationships even though there are no related party transactions between the disclosed related parties.

B

Category 2 requires disclosures of relationships and transactions only when there are related party transactions.

Category 1: Relationships between parents and subsidiaries.

Regardless of whether there have been transactions between a parent and a subsidiary, an entity must disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so must also be disclosed.

Category 2: Remuneration to Key management personnel and other related party transactions

An entity is required to disclose total compensation paid to key management personnel and compensation by each of the following categories:

- | |
|---------------------------------|
| • Short-term employee benefits, |
| • Post-employment benefits, |
| • Other long term benefits |
| • Termination benefits |
| • Share-based payment benefits |

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity.

Other related party transactions: If there have been transactions between related parties, disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. These disclosures would be made separately for each category of related parties and would include:

- the amount of the transactions the amount of outstanding balances,
- including terms and conditions and guarantees
- provisions for doubtful debts related to the amount of outstanding balances
- expense recognised during the period in respect of bad or doubtful debts due from related parties

In a nutshell, the IAS 24 requires entities to disclose relationships with related parties and transactions and outstanding balances with such parties. The intent is to provide financial statement users with the information necessary to draw conclusions about the potential effects of related party relationships on the entity's financial position and performance. As part of compliance and governance, under IAS 24, organizations must report the nature of the related party relationship as well as information about the transactions, outstanding balances, and commitments in their financial statements. The aim is to ensure sufficient transparency to enable users to assess the influence of related parties on an entity. The disclosure of related party transactions under IAS 24 enhances the transparency and comparability of financial statements. It helps stakeholders assess the integrity of the financial reports and the fairness of the transactions, particularly in contexts where related party transactions might be used to manipulate earnings or transfer resources out of the company at non-market terms. Thus, IAS 24 enables a user of the financial statement to correctly evaluate the Company's position and performance with respect to the related parties.

ISA 550, "RELATED PARTIES"

INTRODUCTION

International Standard on Auditing (ISA) 550, "Related Parties," is a critical component of the auditing standards, providing guidance on how auditors should approach and address related party transactions and relationships in their audits. Related party transactions and relationships can significantly impact an entity's financial statements, and ISA 550 helps auditors ensure these are appropriately identified, disclosed, and evaluated.

Many related party transactions are in the normal course of business. In such circumstances, they may carry no higher risk of material misstatement of the financial statements than similar transactions with unrelated parties. However, the nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:

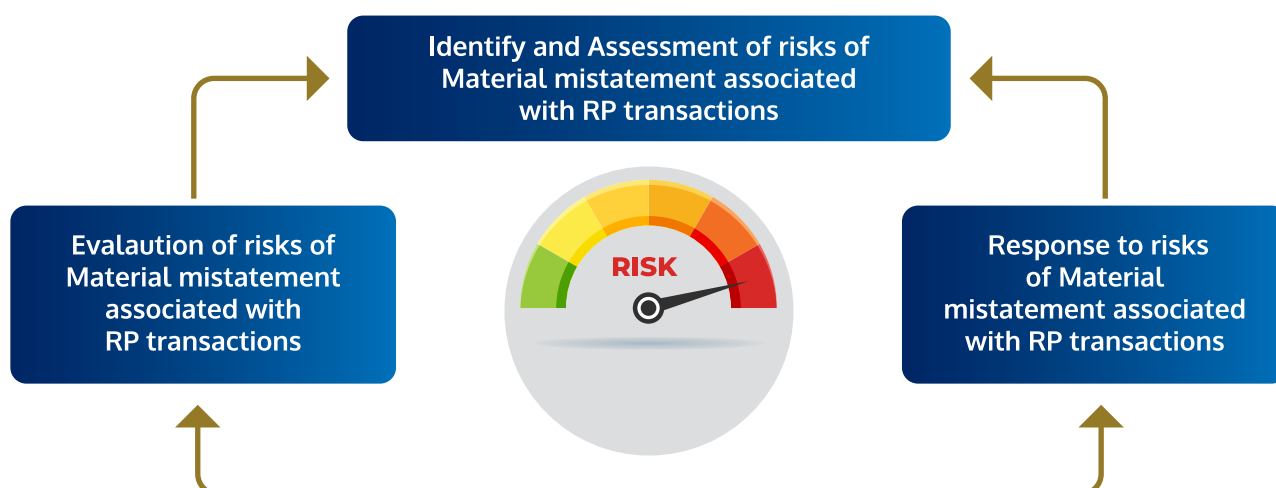
- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
- Information systems may be ineffective at identifying or summarising transactions and outstanding balances between an entity and its related parties.
- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

RESPONSIBILITIES AND OBJECTIVES OF THE AUDITOR

Identification of related-party relationships and transactions ISA 550 requires the use of a risk-based approach to the audit of related parties and transactions to

- recognize fraud risk factors, if any, arising from related party relationships and transactions that are relevant to the identification and assessment of the risks of material misstatement due to fraud; and
- conclude, based on the audit evidence obtained, whether the financial statements, insofar as they are affected by those relationships and transactions:
 - a) Achieve fair presentation. b) Are not misleading.
- obtain sufficient appropriate audit evidence to conclude whether related party transactions are properly identified, accounted, and disclosed in the financial statements.

RISK ASSESSMENT PROCEDURES AND RELATED ACTIVITIES



Going detailed in the perspective of an auditor, the auditor shall enquire the management:

- Identity of related party
- Nature of relation with them
- Whether any transactions occurred during the relevant period
- Whether properly disclosed as per applicable financial reporting framework
- Shall take all confirmations as an indication of existence of related party
- If seems outside normal course of business, to enquire about the nature of such transactions

EVALUATION

The auditor shall identify and assess the risks of material misstatement associated with related party relationships and transactions and determine whether any of those risks are significant risks. In making this determination, the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks.

If the auditor identifies fraud risk factors (including circumstances relating to the existence of a related party with dominant influence) when performing the risk assessment procedures and related activities in connection with related parties, the auditor shall consider such information when identifying and assessing the risks of material misstatement due to fraud in accordance with ISA 240

RESPONSE TO ASSESSED RISKS

- If the auditor identifies arrangements or information that suggests the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor, the auditor shall determine whether the underlying circumstances confirm the existence of those relationships or transactions
- If the auditor identifies related parties or significant related party transactions that management has not previously identified or disclosed to the auditor, the auditor shall: (a) Promptly communicate the relevant information to the engagement team
- Where the applicable financial reporting framework establishes related party requirements:
 - (i) Request management to identify all transactions with the newly identified related parties for the auditor's further evaluation; and
 - (ii) Inquire as to why the entity's controls over related party relationships and transactions failed to



WRITTEN REPRESENTATIONS

The auditor shall obtain written representations from management and, where appropriate, those charged with governance that:

- (a) They have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and
- (b) They have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.

In essence, ISA 550 governs how auditors should approach related parties in financial audits and directs the auditor's focus toward the risk of significant misstatements that could arise from related-party relationships and transactions. The standard highlights the need to consider these factors during planning and particularly in risk assessment. Specific procedural requirements are outlined, prompting auditors to review their practices to ensure compliance. ISA 550 offers precise guidance for auditing this complex and crucial area. As part of compliance and governance, the auditors must perform specific procedures to identify, assess, and respond to the risks of material misstatement due to fraud or error associated with related party transactions. This includes assessing whether the transactions were conducted under terms typical of arm's length transactions and if they were appropriately authorized and approved by those charged with governance.

CONCLUSION:

The treatment of related parties and their transactions under UAE Corporate Tax and IAS 24, highlights a global commitment to transparency, compliance, and fairness in financial reporting and taxation. Understanding the nuances of related party transactions and adhering to the CT law and to the Standard, is crucial for maintaining the integrity of financial reporting and meeting compliance obligations. Aligning and integrating the accounting practices related to related party transactions, across UAE Corporate Tax regulations and IAS 24 is pivotal for enhancing governance and oversight in organizations. This integration helps in building a robust framework for the management of related party transactions, significantly reducing the risks of financial misstatements and non-compliance with tax laws.



SUSTAINABILITY PRACTICES AND GREEN INITIATIVES IN CORPORATE WORLD



In recent years, there has been a noticeable and impactful shift towards the adoption of sustainable practices within various industries. Businesses are realizing more and more how crucial it is to include environmental responsibility in their everyday operations.

This understanding goes beyond merely reducing the disadvantages of environmental effects; it includes a calculated response to satisfy changing customer demands and ensure the long-term sustainability of their companies. The increasing availability of green initiatives being adopted and executed within corporates worldwide clearly shows this global trend towards sustainability.

WHY SUSTAINABILITY MATTERS

In corporate environments, sustainability refers to the incorporation of eco-friendly practices into supply chains, business plans, and daily operations. This strategy is motivated by multiple important factors:

- 1. Environmental Impact:** Companies strive to reduce adverse effects such as pollution, resource depletion, and habitat destruction, as they recognize their part in environmental deterioration and how to restate and rebuild the same. This is part of corporate ethical practices. Management understands that when we control our controllables, the un-controllables is highly in our favor.
- 2. Consumer Demand:** As an increasing percentage of consumers favor environmentally sensitive brands, businesses are being inclined to implement sustainable practices to stay competitive.
- 3. Regulatory Compliance:** As governments impose more stringent environmental laws, companies are required to constantly comply the same.
- 4. Cost Savings:** Over time, sustainable methods frequently result in lower resource use and operating expenses.
- 5. Government Incentives:** Government worldwide are offering a lot of incentives to corporates in ensuring that sustainability is upheld and practiced as a business norm to ensure optimized business operations.
- 6. Long term advantages:** Recognise your environment, protect it and it will protect and enrich you in due course. The survival of corporates in long run depends upon implementation of successful sustainability initiatives as a part of their work culture.
- 7. Modernization vis a vis sustainability:** The updates in the technology is calling for sustainable approach which is considered as a highly effective in tool in brand building, reputation elevation and continuance.

KEY GREEN INITIATIVES IN CORPORATE SETTINGS

- 1. Energy Efficiency:** By updating energy-efficient equipment, optimizing building designs, and integrating renewable energy sources like solar panels, many businesses are placing a high priority on energy efficiency. This lowers utility costs in addition to reduction in carbon footprints.
- 2. Waste Reduction and Recycling:** Two essential sustainability strategies are reducing trash generation and putting in place strong recycling programs. Businesses are looking for creative ways to cut down on packaging waste and promote appropriate product disposal which helps the environment in a positive way.
- 3. Sustainability of the Supply Chain:** Companies are closely examining their supply networks to make sure suppliers follow sustainable practices. This entails supporting ethical labor practices, cutting emissions associated with transportation, and procuring materials sustainably and materials which are sustainable.
- 4. Water Conservation:** Since water is a limited resource, businesses are taking steps to protect it by using it wisely, reusing it, and treating wastewater. The importance of pure drinking water is accepted by multinationals worldwide and many initiatives are commenced in this regard.
- 5. Carbon Neutrality and Offsetting:** Reducing carbon emissions to as low a level as feasible and offsetting the remaining amount with investments in carbon credits or tree planting are the ways to achieve carbon neutrality.
- 6. Employee Engagement:** Getting staff involved in sustainability projects helps companies develop an environmentally conscious culture. This can involve awareness campaigns, incentives for sustainable commuting, and eco-friendly working practices.
- 7. Innovation and Technology:** Businesses are spending money on R&D to produce environmentally friendly goods and relate procedures. This covers developments in eco-friendly technologies such as intelligent energy management systems, sustainable materials, and electric cars.

SUCCESSFUL EXAMPLES

Numerous corporations have demonstrated remarkable commitment to sustainability:

Google: Aiming to operate entirely on renewable energy by 2030, Google has already achieved carbon neutrality for its global operations.

IKEA: Commits to using 100% renewable or recycled materials in its products, emphasizing circular economy principles.

Patagonia: Known for its eco-friendly practices, Patagonia encourages customers to repair rather than replace products and donates a percentage of sales to environmental causes.

CONCLUSION

In conclusion, companies that want to succeed in the long run must embrace sustainability; it is no longer just a trend. Adopting green ideas in business settings improves brand reputation, attracts customers and business relationships, lowers operating costs, and benefits the environment. Businesses that prioritize sustainability can help create a more ecologically conscious future and a healthier planet for future generations. Building a greener tomorrow and committing to change are the first steps on the path to sustainability.

EMPOWERING EMIRATI TALENT

The 2nd Edition of The Industrialists Career Exhibition - An initiative from The Ministry of Industry and Advanced Technology, UAE



Evas International is proud to have been a part of the esteemed Industrialists Career Exhibition, a pivotal event showcasing the boundless opportunities within the UAE's industrial sector for empowering Emirati talents. As a sponsor of this prestigious exhibition, we were honored to play a role in shaping the future of the industry and fostering the growth of local talent.

Spanning three dynamic days, the Industrialists' Career Exhibition served as a platform to engage Emirati talents and align their skills with over 800 job openings across 80+ industrial and service companies participating in its second edition. This event not only highlighted job prospects but also emphasized valuable training opportunities, underlining UAE Government's commitment to nurturing talent and driving innovation in the industrial landscape.



The exhibition, hosted by the Ministry of Industry and Advanced Technology (MoIAT) and ADNOC, in cooperation with the Ministry of Human Resources and Emiratisation (MoHRE) and Emirati Talent Competitiveness Council (Nafis), took place on April 21st to 23rd, 2024, at the Abu Dhabi Energy Centre. It built upon the success of its inaugural edition in 2023, which created 505 job opportunities for Emirati talent in over 73 companies, along with providing extensive training opportunities.

The exhibition serves as a comprehensive platform where government partners, the private sector, training entities, and jobseekers converge to cater to the needs of companies. In its second edition, the exhibition witnessed a significant increase in attendance, with over 4,200 Emiratis participating compared to 3,000 in the previous edition. More than 80 major companies engaged in interviews with local talent, demonstrating seamless collaboration between partners and the concerted efforts to empower nationals to secure employment in the private sector, particularly in fields like industry and advanced technology.



MolAT's Industrialists Programme, launched in March 2023, is a testament to the UAE's commitment to supporting the growth and development of the national industrial sector by upskilling Emirati talent. Evas International proudly received recognition from MolAT during the first edition for our contribution to advancing Emiratization.

This initiative, under the National In-Country Value (ICV) Programme, not only facilitates job opportunities for Emiratis but also enhances access to incentives and enablers for ICV companies.

At EVAS International, we recognize the importance of investing in local talent and fostering a skilled workforce capable of driving the industrial sector forward. Through our participation in the Industrialists Career Exhibition, we aim to contribute to the realization of the UAE's vision for a diversified and competitive industrial landscape.

As we look ahead, we remain committed to our partnership with MolAT and other key stakeholders in empowering Emirati talent and advancing the nation's industrial agenda. Together, we will continue to create opportunities, build capabilities, and shape the future of the industrial sector in the UAE.



Learn & Train

ELEVATE YOUR EXPERTISE, EXCEL WITH EVAS INTERNATIONAL



The challenge of balancing daily responsibilities with the need to continually enhance one's skill set is quite common in today's fast-paced professional environments. It always requires a concerted effort to scale up our knowledge and skills. Prioritizing continuous learning and skill development amidst daily tasks can be challenging, yet it is increasingly necessary to stay competitive and effective. Keeping that in mind, we have recently launched an initiative to foster continuous learning and development training programme at Evas International, with the theme, "Learn and Train", aiming to acquire and enrich knowledge, skills, and aptitude. As part of that, we conducted an inhouse one day training programme for all our staff, focusing primarily on the topic TAXES IN UAE.

OUR TRAINING DAY WAS DIVIDED INTO FOUR SESSIONS AND THE TOPICS:

1. **UAE VAT** – An overview, RCM, and future perspectives
2. **Corporate Tax** – Basics, PE, POEM, Exempt persons, QFZP and Tax Groups
3. **Emara tax portal** – Practical guidance on procedural matters
4. **Corporate Tax** – Calculating taxable income, exempt incomes, reliefs, transfer of tax losses, withholding taxes and foreign tax credits.

The success of a training program hinges significantly on how engaged the participants are, how actively they participate, and what they can ultimately apply in their daily work. When staff members actively participate and recognize the value of continuous learning, it not only enhances their personal and professional growth but also contributes positively to the overall culture and success of the organization. The enthusiasm and energy carried out by our staff, throughout the training day were the testimonies to conclude that the training program was highly informative and engaging, equipping participants with valuable knowledge and skills to navigate the intricate realms of taxation effectively.

At Evas International, we strongly believe in the power of continuous learning and development. As part of our commitment to fostering growth and excellence, we are dedicated to organizing more learning sessions in the future. We understand that staying updated and adapting to changing landscapes is crucial in today's dynamic world. By offering these sessions, we aim to create a platform where individuals can expand their horizons, stay informed, and thrive professionally. Together, let's embrace the journey of lifelong learning with passion and zeal.



BLOCKCHAIN TECHNOLOGY:

REVOLUTIONIZING ACCOUNTING WITH AI



The recent integration of artificial intelligence (AI) with blockchain technology has opened the door for revolutionary advancements in several industries. The accounting industry is having one of the most interesting uses of this synergy. Blockchain's decentralized ledger and AI's analytical powers are transforming traditional accounting methods, offering improved financial record-keeping security, efficiency, and transparency. Let's examine in more detail how AI and blockchain accounting are transforming the financial industry.

UNDERSTANDING BLOCKCHAIN TECHNOLOGY

Blockchain is simply a decentralized digital ledger technology that keeps track of transactions across several computers in a way that makes it impossible to change the records later without changing every block that comes after it and getting the network's cooperation.

Key features of blockchain include:

Decentralization: Instead of being stored centrally, data is dispersed among a network of computers (nodes).

Transparency: any transaction is documented on an open ledger accessible to any member of the network.

Immutability: Data cannot be changed once it has been recorded without the network's approval.

Security: Transactions are safe and impervious to tampering thanks to cryptographic technology.

THE ROLE OF BLOCKCHAIN IN ACCOUNTING

Blockchain technology has significant implications for accounting practices:

- 1 Asset tracking:** Blockchain employs a distributed ledger system to monitor the ownership and transfer of assets like real estate, stocks, and bonds.
- 2 Identity verification:** Blockchain offers a secure and decentralized approach to confirming individuals' identities, applicable for purposes like Know Your Customer (KYC) and Anti-Money Laundering (AML) compliance in financial operations.
- 3 Payment processing:** Utilizing blockchain technology streamlines payment processing, delivering swifter, more cost-effective, and secure transactions by bypassing intermediaries and lowering associated fees. It also simplifies cross-border payments, minimizing the necessity for currency conversions.
- 4 Supply chain management:** Blockchain facilitates the monitoring of goods and materials movement across supply chains, enhancing transparency, reducing fraudulent activities, and boosting efficiency.
- 5 Regulatory compliance :** Blockchain aids in ensuring adherence to diverse financial regulations, including data privacy statutes, tax guidelines, and securities laws. Through furnishing an immutable and verifiable transaction record, blockchain simplifies compliance with regulatory frameworks.
- 6 Transparent Audit Trails:** The unchangeable ledger of blockchain technology creates a transparent audit trail of financial transactions, which facilitates record authentication and verification for auditors.
- 7 Decreased Fraud Risks:** By removing single points of failure and offering transparency into transaction histories, blockchain's decentralized architecture lowers the risk of fraud.
- 8 Real-time Financial Reporting:** Financial reporting can become more precise and current because of transactions being recorded on the blockchain in real time.
- 9 Smart Contracts:** These automatically carry out contracts in which the terms are encoded directly into the code. They cut expenses and mistakes by automating repetitive jobs.

THE ROLE OF AI IN ACCOUNTING

Blockchain is enhanced by artificial intelligence by enabling advanced information analysis and automation:

- 1 Data Analysis and Pattern Recognition:** To support risk management and decision-making, AI systems can examine enormous volumes of financial data to find trends, abnormalities, and patterns.
- 2 Automation of Routine Tasks:** By automating time-consuming accounting operations like data input, reconciliation, and report production, AI-powered systems can free up accountants' time for more strategically oriented tasks.
- 3 Fraud Detection:** By seeing unusual or suspicious patterns in financial transactions, AI systems can alert users to possible fraud or compliance issues.
- 4 Predictive Analytics:** AI can produce forecasts of future financial performance and trends by examining past financial data.
- 5 Increased Efficiency:** Blockchain technology streamlines processes by providing a secure and transparent ledger system, reducing the need for manual verification and reconciliation. AI enhances efficiency further by automating repetitive tasks such as data entry and analysis.
- 6 Enhanced Accuracy:** The combination of blockchain's immutable record-keeping and AI's data analysis capabilities improves the accuracy of financial reporting and auditing. This reduces the risk of errors and fraud.
- 7 Transformation of Roles:** The adoption of blockchain and AI technologies may lead to a shift in the roles of accounting and finance professionals. There may be a greater emphasis on data analysis, interpretation, and strategic decision-making.
- 8 Evolution of Auditing Practices:** The use of blockchain can revolutionize auditing practices by providing auditors with direct access to transparent and verifiable records. AI-powered analytics can enhance audit efficiency and effectiveness.

THE SYNERGY OF BLOCKCHAIN AND AI IN ACCOUNTING

The combination of blockchain and AI offers several synergistic benefits:

- 1 Enhanced Security:** By combining AI's fraud detection skills with Blockchain's secure ledger, risks are lower and financial security is enhanced.
- 2 Effective Compliance:** Blockchain gives regulators a visible audit trail, while AI-powered automated compliance checks can guarantee conformity to legal standards.
- 3 Cost Reduction:** AI and smart contracts can automate accounting processes, which can drastically cut down on running expenses.
- 4 Better Decision-Making:** AI-driven analytics offer timely insights into financial data, facilitating more intelligent choices.

CHALLENGES AND CONSIDERATIONS

Even though blockchain accounting with AI has a lot of potential, there are challenges to overcome:

Complexity of Integration: Knowledge and infrastructure investment are needed to integrate blockchain and AI technology.

Regulatory Uncertainty: As the rules governing blockchain and artificial intelligence in accounting continue to change, compliance becomes more difficult.

Privacy Concerns: Although blockchain technology promotes openness, maintaining data confidentiality and privacy is also important.

FUTURE OUTLOOK

Combining the strengths of blockchain with AI will be the accounting industry's future. We may anticipate more advancements in financial responsibility, efficiency, and transparency as technology develops further. The implementation of these technologies is anticipated to transform conventional accounting methodologies, establishing institutions with instant insights, enhanced security, and improved routines.

In summary, the fusion of AI with blockchain accounting signifies a revolution in financial administration. Organizations may increase transparency, efficiency, and decision-making by utilizing the advantages of both technologies, which will ultimately lead to the development of a more solid and safe financial ecosystem.

Events

EVAS TEAM - Iftar Event



EVAS TEAM - ICV Gathering Day Event



EVAS TEAM - Learn & Train Event



**AI IS A TOOL.
THE CHOICE ABOUT
HOW IT GETS
DEPLOYED IS OURS.**

- Oren Etzioni -



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