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Competency, Integrity and Virtue
SET YOURSELF APART

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President’s Message

At the last Annual General Meeting of the Zambia Institute of Chartered Accountants (ZICA), members elected new office bearers, a team I am privileged to lead as President.

This year’s elections were exhilarating with contestants of various positions engaging in vibrant campaigns using social media and other communication channels. The common themes focused on change and the need for ZICA to take a more central role in national and economic development. I commend all candidates that put up spirited fights, and members that participated and ushered in leaders for a new era.

Following the elections, the Council is now fully balanced with five (5) elected women, among them a vice-president, and five elected men. The Council is also balanced by age with over 50% of the members being below 40 years.

Your Council’s commitments will be to strengthen the ZICA qualification; lead the smooth transition to CA Zambia; address challenges presented by people masquerading as accountants; facilitate amendments to the Accountants Act; be a sounding board on various matters of public interest; and work closely with the government through the Ministry of Finance.

In the past 10 years, the Institute has developed three programmes - ZICA Accountancy in December 2007, Taxation in December 2013, and the Public Sector Financial Management in April 2017. Despite our efforts to market the programmes, we continue to observe continued preference for certificate courses, both quietly and publicly.

We have observed that there are a number of unregistered people holding out as accountants, in some cases using different titles when getting work permits. Your Council, working through the Membership Committee, will engage various stakeholders that include the Director General of Immigration and employers’ associations to address this concern. The provisions of the law on compliance are very clear and do not exclude government departments. The Institute has also engaged the Director General of National Prosecution Authority, working with the Zambia Police Service, to help with investigations and prosecution of people holding out as accountants.

Part IV Section 18 (4) of the Accountants Act prohibits any person, firm, company or government agency from employing or engaging an Affiliate, Associate, Fellow, Technician, Licentiate or any person who is not a member of the Institute.

Members will recall that at the last Pre-AGM workshop, legal consultants made a presentation on the review of the Accountants Act. The consultants requested members to submit comments by 15th May 2017 for inclusion in the final report and into the Amendment Bill. I hope you made submissions as advised. Your council shall follow the amendment process to its logical conclusion. This amendment is important as it seeks to harmonise the Accountants Act with other business legislations so that it becomes the only legal framework regulating accounting and auditing services in Zambia. We all have a role to play in this regard.

The accountancy profession is a depository of numerous competencies and expertise that can serve as sounding boards for stakeholders wanting to know the implications of various domestic and global economies happenings. These can make viable contributions towards national development. As most of us are aware, the Institute has been instrumental in advising government through the annual Tax and Non-Tax Budget submissions presented to the Ministry of Finance, and through submissions made to Parliament.

Let us raise our profile by becoming thought leaders in order to be more relevant to society. For a long time, the Institute has been absent from the public eye, prompting various stakeholders to question our mandate as provided in the Accountants Act. We intend to make ourselves available to render advice on various matters within our competences, both quietly and publicly.

On behalf of your Council, I promise to do things differently. We shall do whatever needs to be done to remain in our active fray for action. We shall be as strong as your commitment to support us and make things happen.
Managing Expenditure in the Public Sector – the New Dawn

The 2016-2018 Green paper commits to ensure that economic growth benefits are widely shared by all Zambians.

Government, therefore, focuses on creating fiscal space for vital public services and infrastructure development and to protect critical social programmes in the health, education and social sectors. There is also a desire to direct resources towards its capital budget to complete ongoing projects in order to enhance service delivery and create jobs.

Inasmuch as there are efforts towards attaining economic growth, there must be a reciprocal initiative to ensure that expenses are monitored and controlled for the general public’s benefit. This government paper requires the strategic involvement of the accountant. In this issue of the Journal, we publish an article on expenditure management in the public sector. Accountants in the public sector are important players in the implementation of public sector financial management reforms. Accountants play a strategic management role in implementing the national budget. They ensure that the national cake is equitably distributed across the country.

For many years, the accountancy profession has lobbied successive ministers of finance to influence government to upgrade the office of the Accountant General, Controller of Internal Audit and also enact the planning and budgeting Act.

All these measures have a bearing on the effective management of public expenditure in the public sector. Firstly, there is a need to bring convergence between strategy and Chandler in a thesis in the 1960s. Implementation of any good strategy would be folly if there are no suitable structures fit for purpose. Whenever there is a fundamental change of strategy, there should similarly be a fundamental change of structure. Government for many years has advocated for elimination of wastage of public resources and promotion of economic growth without accompanying structural changes. The reports of the Auditor General’s office were always predictable because of the inherent structural weaknesses in the public sector financial management organisational design. Ideally, the Accountant General should guide controlling officers in government in matters of financial management yet the position remained low at the level of director. This meant that the Accountant General had to follow the direction of his or her seniors in the hierarchy. The structural position of the government’s strategic financial management advisor remained very low and could not sanction any controlling officer senior to him. This is now a story of the past as the government recently elevated the position of Accountant General to that of Permanent Secretary, which is an important development. It is however important to go a step further and address the position and its role at ministries, provinces and grant-aided agencies to make the restructuring complete. At ministries and provinces, Directors of Finance should head accounting units.

The second important development is the development of the Planning and Budgeting Bill and the review of the Public Finance Act of 2004 to bring the public finance role in line with contemporary trends. The Planning and Budgeting Bill once enacted will bring the necessary fiscal discipline, as the law will specify how public funds will be utilised and the necessary consultation processes in the budgeting process. The law will also have the necessary sanctions against public officers who fail to comply with the law. Similarly, the amendment of the Public Finance Act will align the roles of Accountant General and that of the Controller of Internal Audits.

The human factor remains an important ingredient in the effective implementation of the law. Therefore, there should be a buy-in from the country’s political leadership to avoid positional power interfering with the use of resources. Conversely, independent law enforcement should become an important facet of prudent use of public resources. The Parliamentary watchdog committees will also need to have enhanced mandates to call or summon public officers undermining the law to account for their misdeeds.

The public sector financial management governance institutions, namely the office of Auditor General and the Office of Controller of Internal Audit, carry out important oversight roles and report to the Parliamentary Public Accounts Committee and the Ministerial Audit Committees. Their findings, which are confirmed by the parliamentary, and audit committees are merely reported matters for follow up actions and the decisions of the committees do not seem to attract the necessary sanctions against erring officers.

It is interesting to note that within the Public Sector Financial Management’s objective, there is a call for expenditure control as part of fiscal discipline in the prudent management of public finance. How then can accountants ensure transparency and accountability in public expenditure control?

The International Federation of Accountants (IFAC) gives a guide and emphasises that “High-quality financial information in the public sector enables an accurate and complete assessment of the impact of policy decisions, supports external reporting by governments to electorates, taxpayers, and investors, and aids internal decisions on resource allocation (planning and budgeting), monitoring, and accountability. Furthermore, IFAC guides that the accountancy profession can leverage the:

• knowledge gained through development of systems of training, education, and preparation of accountancy professionals;

• experience of professional accountants in transitioning from national to international standards; and

• international insights into best practices in quality control and investigation and discipline to support public sector efforts to professionalise and enhance the capacity of their workforces, adopt and implement international standards, and develop internal processes for quality control within the government.

The Institute is and will remain a partner of government in implementation of public sector financial management reforms. In April 2017, the Institute launched a dedicated Public Sector Financial Management course to enhance financial management and accountability skills of officers in the public sector.

The hallmark of any effective control is ensuring that national actions conform to national plans and budgets. Expenditure of public financial resources needs to be strictly controlled otherwise people charged with the responsibility of expending the funds would do so for their benefits or advantage, thereby making the attainment of government objectives difficult, if not impossible.
Expenditure Control in the Public Sector

By Kennedy Musonda

Part 1

This article looks at the public sector commitment control in the context of it being one of the four main objectives of public sector financial management (PFM).

The PFM objective is ‘The maintenance of aggregate fiscal discipline to ensure that aggregate levels of tax collection and public spending are consistent with targets for the fiscal deficit and do not generate unsustainable levels of public borrowing.’ Within this objective, the focus of the article will be expenditure control as part of fiscal discipline in the management of public finances and of paramount importance in addressing the other three objectives of PFM which are strategic allocation of resources; prudent management of government financial resources; and transparency and accountability in fiscal relations. I will devote a series of articles around the key objective of public sector financial management system.

This article will be presented in two parts. In part 1 will give the introduction, define what commitment controls are; explain the reasons for commitment controls; and how an effective commitment controls can be implemented. Part 1 will also identify the reasons why arrears in public sector accumulate over time. Part 2 will give the institutional and operational arrangement for an effective commitment control, and provide a conclusion.

The public sector expenditure cycle, for control purposes and for this article, has four main distinguishable phases:

i. Authorisation or allocation of appropriations to spending agencies;

ii. Commitment - incurring a future obligation to pay;

iii. Verification - the acquisition and verification of goods and services; and

iv. Payments.

There are specific forms of control during the different stages of the budget execution process. This article focuses on expenditure control at the commitment stage (ii) above. The focus on commitment controls is justified on the grounds of their important role in developing an overall expenditure control framework as well as controlling the accumulation of payment arrears.

Accumulation of arrears has been an issue in a number of developing countries in transition. The arrears typically arise from a breakdown of normal financial controls. Arrears can be defined as outstanding payment obligations that the government has failed to discharge in a reasonable period of time. The period of time for classification of outstanding amounts into arrears differ from country to country, but for the purpose of this article, the period of time is one month from the date of invoice. Arrears occur for a number of reasons, including:

• Lack of political commitment to agreed financial policies: The authorities may deliberately circumvent the impact on real government spending of financial constraints by recourse to other sources of financing, notably (accumulation of) arrears.

• Poor budget preparation: Unrealistic budgets overstating revenues and financing, and/or understating expenditure, resulting in insufficient funding to carry out planned expenditures. Line ministries may thus commit expenditure within the approved budgets even though there is no cash release to meet such commitments.

• Poor budget execution: This includes poor monitoring and control of expenditures, which do not adequately constrain government purchases and which allow purchases outside formal procedures to go undetected, and cash allocations that do not match resources approved by the budget.

• Poor budget discipline: Expenditures of certain ministries may be difficult to control by the Ministry of Finance because of a lack of sanctions against those responsible for breach of compliance with budget regulations.

What are Commitment Controls?

Commitment means an obligation to make a future payment subject to the fulfilment of certain conditions. There are two main types of commitments:

i. Specific commitments; and

ii. Continuing/running commitments.

Specific commitments are those that will require a single payment or a series of payments over a determinate period of time. These include contracts for goods and services, or any similar arrangement, and occur when a formal action is taken by a line ministry, such as placing an order for supply of goods and services, issuing a local purchase order, or awarding a contract to a supplier.
Continuing commitments are those that will require a series of payments or settlement actions over an indeterminate period of time, and might not involve a specific contract. These include wages, utilities, scholarships, entitlement payments, and other similar arrangements.

Why Commitment Controls?

The key objective of commitment control is to manage the initial incurrence of obligations rather than the subsequent cash payments in order to enforce expenditure ceilings and avoid expenditure arrears. The commitment of resources is a critical stage of the expenditure process in the public sector. Controlling commitments is essential for controlling expenditure. To this end, the commitment control system imposes limits on commitments. These limits can be based on budget appropriations or on cash plans. Ideally, commitments should be regulated by annual budget appropriations. However, this approach may prove to be insufficient in preventing the incurrence of arrears in the case of funding below appropriations. Commitment controls based on expenditure ceilings or cash limits reconcile the availability of resources with commitments, thus ensuring that spending units are able to enter into contracts, or other obligations, only if sufficient unencumbered balances are available or likely to be available at the time of their payments. It is necessary that expenditure ceilings should be guided by a well functioning cash management system.

How can an effective commitment controls system be implemented?

The introduction of effective commitment controls requires a comprehensive approach to strengthening PFM systems. The most important improvements are required in the budget formulation and budget execution processes. A realistic budget is a key precondition for efficient budget execution, including commitment controls. Similarly, commitment controls need to be supported by a good cash planning system for setting credible expenditure ceilings.

Political commitment to the reform process plays a central role in implementation of commitment controls. If political commitment to the reform process is weak, the implementation will fail. Therefore, the decision to introduce expenditure control measures needs to be accompanied by a strong political commitment to the overall reform process that will generate internal support, adequate resources, and an effective change management agenda.

An effective system of control over commitments needs to be supported by a sound regulatory framework and financial regulations. In addition to the general legal framework for commitment controls, the budget laws should provide clear rules on virements/supplementary provisions between the executive and legislature on various broad expenditure categories and distribution of virements powers within the executive between the Ministry of Finance (MoF) and the respective line ministries. The executive should have power to withhold budget provision and release of funds in the prescribed conditions. The financial regulations need to set down a detailed system for controlling all types of commitment and preventing accumulation of payment arrears.

The regulatory framework and the PFM procedures should provide enough safeguards so that there can be no deliberate override of controls by any bureaucratic or political authority. When controls are deliberately overridden, opportunities for the diversion of funds into activities not approved by the budget are encouraged. This diversion, by reducing the funds available for legitimate requirements, contributes to arrears. It also encourages spending agencies to view arrears as an option for funding legitimate activities. The regulations need to prescribe a set of sanctions and penalties for non-compliance and financial misconduct in such circumstances.

The credibility of the budget predetermines the quality and the effectiveness of commitment controls. A key indicator for the credibility of the budget is the level of deviation between the approved and the actual budget. In many developing and transition countries, the deviations between approved budgets and actual budget outturns are significant. An analysis of budget allocations compared with real spending (actual payments plus arrears) usually shows that some fixed-cost items, such as utilities, rent, and other unavoidable expenditures (e.g., expenditures under the security wings of government), are often under-provided in the budget. Thus, unrealistic budget projections undermine the process of budget execution, and specifically, the soundness of cash planning, which is the basis for controlling commitments. Therefore, an effective system of commitment controls requires a well-formulated budget with realistic expenditure provisions, guided by sound expenditure policies and priorities.

Lack of a good cash planning and management system, or low quality of cash plans, place practical limitations on the effectiveness of commitment controls. A principal task of commitment controls is to ensure that commitments are only entered when they are consistent with the budget, and, ideally, with quarterly expenditure ceilings. The principal task of cash planning is to ensure that the quarterly ceilings are consistent with the projected cash availability, which enables them to be used as ceilings for approving commitments. Cash planning on its own will be ineffective unless it is integrated with control over commitments.

Effective commitment controls require a good accounting and reporting system. The ideal situation would be when the accounting and reporting system is organised on an accrual basis, because commitments are formally accounted for in such a system. However, this is not the case in a number of developing countries that mostly apply cash-based recording and reporting. The cash-based systems require additional records with respect to commitments. In many developing countries, the requirement to control commitments is reflected in the structure of records that are maintained by the established accounting system, and the practice adopted towards the commitment control system. At the same time, statutory requirements focus almost exclusively on controlling expenditures with respect to budget appropriations. Accountability to Parliament is achieved through annual appropriations that expire at the end of each financial year, and financial reports reflect cash execution of the expenditure plans approved by Parliament.

A functioning internal and external audit system is also sometimes considered as a precondition for introducing commitment controls. Indeed, an effective system of internal audit is useful for evaluating and improving the effectiveness of internal control processes and management, including the commitment control system. Similarly, external audit can play a useful role in identifying systemic weaknesses in control mechanisms, and suggesting solutions.

References


The Author is a Freelance PFM Consultant, and former Accountant General, Zambia.
Secretary to the Cabinet Dr Roland Msiska says the Zambian government is extremely keen on developing human resource capacity in the area of Public Sector Financial Management.

Officially launching the Zambia Institute of Chartered Accountants (ZICA) Diploma in Public Sector Financial Management on April 19, 2017 at Hotel Intercontinental in Lusaka, Dr Msiska said challenges related to financial management and accountability had continued recurring.

He hailed the course as the first formal, comprehensive Public Sector Financial Management qualification in Zambia.

Dr Msiska said every year the Office of the Auditor General highlights challenges of accountability in the public sector.

“In order for the economy to grow to the middle income status as envisaged in the Vision 2030, public sector financial management and accountability is a key pillar,” he said.

Dr Msiska noted that over the past two years, the Zambian economy had been growing albeit at a slower rate.

“However, we in government are in a hurry to reverse this trend. The launch of the Economic Stabilisation and Growth Plan dubbed ‘Zambia Plus’ is aimed at reversing the downward spiral of growth. Our economic stabilisation and growth plan is anchored on five pillars, name; strengthening tax policy and administration to improve revenue inflows and to shift public expenditure back to affordable levels; improving budget credibility through better planning, adherence to expenditure plans and improvement of the quality of government’s spending; improving the country’s economic stability through easing access to credit, lowering lending rates and reducing inflation; improving economic and fiscal governance through strengthening of regulations and laws to ensure transparency of spending decisions; and increasing budgetary allocation to social protection including addressing the plight of pensioners,” Dr Msiska explained. “From this plan, it is evident that our efforts border on financial management and accountability. It is, therefore, important that the personnel that manage these pillars have the necessary skills and competences.”

Dr Msiska expressed confidence that the ZICA Diploma in Public Sector Financial Management would contribute to building capacity of accounting personnel in the public sector in financial management.

He noted that many times institutions of learning fall into what he termed “we know what industry wants syndrome” and therefore develop programmes without the involvement of users.

“I understand that the programme offers an in-depth coverage such as Public Sector Accounting, Legal aspects of Public Sector Finance Administration, Governance and Management in the Public Sector, Public Sector Audits, and Financial Reporting for Public Sector Entities…. This Diploma in Public Sector Financial Management should serve as a benchmark against which ministries, provinces and other spending agencies should measure the quality of accounting and auditing personnel that are recruited going forward,” Dr Msiska said.

He said currently the government spends huge sums of money in training new accounting personnel to convert them into useful public sector accounting personnel.

“We therefore stand ready to support the growth of this programme. I wish to remind you that our country is at a critical stage of its developmental journey. With the economic stabilisation and growth plan, this is the time we require collective efforts in developing the skills necessary to build the future of this nation,” said Dr Msiska.

And Mr Wesley Beene, then ZICA president, said the Diploma in Public Sector Financial Management was a culmination of intense interaction with public sector institutions, including the offices of the Auditor General, Accountant General, Controller of Internal Audits, among others.

“As an institute, we are very proud of this milestone achieved in the education of accountants in Zambia,” Mr Beene said. “You are all aware that all along all accountancy qualifications that have been available in Zambia focused on training private sector accountants. Government therefore has been spending colossal sums of money in retraining accountants employed in the public sector in order for them to cope with the demands of the public sector.”

Mr Beene noted that most people never thought of taking a career in the public sector but that the landscape had changed now, hence the institute’s decision to introduce the Diploma in Public Sector Financial Management.

He said the course was targeted at accountants working in the public sector or trainee accountants intending to pursue a financial management career in the public sector.

Mr Beene said the overall objective of the course was to enhance financial management and accountability in the public sector through specialised training in Public Sector Financial Management and ultimately creating a pool of trained public sector professional accountants to oversee proper utilisation of public resources.

“It is our resolved belief that through this qualification, the Institute will be developing qualified public financial management professionals and hence professionalising the public sector financial management,” he said.

“Professionalising the public sector financial management through training will, among others, ensure that: finance personnel working in government are properly trained to the highest international public sector standard; ethical behaviour is embedded into their everyday working life; and in the long-term, further enhance the country capacity of professional accounting staff in the public sector.”

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REGISTER NOW

DIPLOMA IN PUBLIC SECTOR FINANCIAL MANAGEMENT

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Acquire a specialised training in Public Sector Financial Management at national level, and become an accountant who will enhance financial management and accountability in the public sector.
Implementation of the World Trade Organisation Trade Facilitation Agreement

By Gerald Chizinga

Introduction

The World Trade Organisation (WTO) ninth ministerial conference held in Indonesia in December 2013 adopted an agreement on Trade Facilitation. It is the first major trade agreement reached by WTO member countries since the establishment of the organisation in 1994. According to the World Trade Organisation, trade facilitation is the simplification, standardisation and harmonisation of procedures for movement of goods across borders. The objective of the agreement is to expedite the movement of goods and services across borders and can have the impact of reducing the transaction costs. The agreement will come into force once two thirds of the members of the World Trade Organisation have ratified the agreement. Zambia being a member of World Trade Organisation has ratified the Trade Facilitation Agreement (TFA) and as of January 2017 only four more ratifications from members of the WTO were needed to bring the TFA into force.

Many analysts project that the agreement will enter into force before the end of the first quarter of 2017. It is therefore important for business professionals and accountants to understand what the agreement entails since they have a key role to play in any trade transaction.

History of the Trade Facilitation Agreement (TFA)

The first ministerial conference was held in 1996 where member countries agreed to form working groups to conduct further work or studies on trade facilitation to simplify trade procedures. In 2004, member states agreed to add trade facilitation on their agenda for negotiations and a WTO Negotiating Group on trade facilitation (NGTF) was established. Members of the NGTF have been meeting since then until the Trade Facilitation Agreement was adopted at the Bali ministerial conference in Indonesia. The WTO TFA consists of three sections: Section I dealing with trade facilitation measures and obligations; section II gives special and differential treatment for LDCs and developing countries; and section III deals with institutional arrangements. Institutional arrangements spell out committees to be established at national level and establish a permanent committee on trade facilitation at the WTO in Geneva.

Impact of the Trade Facilitation Agreement on trade transaction costs

Any cross border transaction follows a BUY-SHIP-PAY process, which shows the parties involved in a transaction. The model identifies logistical, commercial, regulatory and payment procedures involved in a cross border transaction. There are costs that are incurred in each trade transaction. Studies show that trade transaction costs are very high in developing and least developed countries (LDCs) such as Zambia. These costs are usually passed on to consumers, thereby making the cost of goods and services high.

Trade transaction costs are high in LDCs because many are landlocked and they have poor transport infrastructure. Uncertainty about how long it will take to complete a cross border transaction also increases trade costs in LDCs. This unpredictability in the supply chains discourages foreign direct investment (FDI) as inventory costs in trade increase with uncertainty. Because of uncertainty, companies are forced to unnecessarily tie capital in holding or warehousing costs. It is estimated that it costs more than forty percent more to move a container across the border in LDCs than in developing countries. These high costs make suppliers of goods and services from LDCs uncompetitive and hence integration into global value chains is a challenge.

The Organisation for Economic Cooperation and Development (OECD) estimates a reduction of about 15 percent in trade transaction costs in developing countries once the Trade Facilitation Agreement is implemented. The implementation of the TFA will enhance export competitiveness as a result of reduced costs and therefore increase opportunities for accessing markets for goods and services across borders for Zambian companies. For some businesses it may mean the implementation of new business processes because of new trade related rules.

It is estimated that the implementation of the trade facilitation agreement will reduce trade costs by between 350 and one trillion US dollars and increase world trade by 100 billion dollars per year (WTO, 2013). The TFA can also help countries to achieve development goals such as increasing the competitiveness of firms, improving export performance, increased job opportunities, Gross Domestic Product (GDP) growth and poverty reduction.

Issues for enhancing trade facilitation for the private sector

Risk Management

Businesses should strive to qualify among low risk taxpayers and traders as regulatory
organisations will give fast track or preferential treatment to businesses that they consider low risk under their risk profiles.

**Private Sector engagement**

Government agencies work with private sector through consultation, collaboration and contracting. The government agencies will be obliged to regularly consult the private sector to ensure support in implementing the new rules under the TFA. Consultation will also give an opportunity to the private sector to raise their concerns and contribute to implementation.

**Automation of processes and procedures**

With the efforts being made by the government to automate processes and procedures, the private sector needs to respond with the same speed to automate their processes for them to be able to make quicker transactions such as payment of taxes and fees online. This will help both parties to facilitate trade and reduce costs.

**Customer service charters**

A customer service charter helps set out the expectations of each party on the expected quality of service and expectations from each party. The service charter will be between the government regulatory agencies and the private sector.

**Reduced duplication**

The TFA will oblige government regulatory agencies to share information among themselves to avoid duplication in post clearance audits that are conducted by these agencies. This will help reduce the cost to both the government agencies and businesses.

**Promotion of professionalism in trade**

There is a call for professional training, certification and accreditation of clearing, forwarding, multi-modal transport operators and agents of government. This will not only be helpful to government but also the private sector.

**Conclusion**

The WTO trade facilitation agreement has the potential to be of benefit to businesses in Zambia. For businesses to benefit, it is important to understand the agreement and to ensure they voice out any concerns on the country’s obligations and commitments under the agreement. This will promote a ‘Win-Win-Win’ situation for the government, businesses and consumers.

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Mr Beene said much as the general principles of financial management were universal and learnt in most accounting qualifications, Public Sector Financial Management tends to be country specific-following various legislative provisions of a particular jurisdiction.

“It is also unquestionable that a bit of Public Sector Financial Management was covered by accountants in routine accounting qualifications. However, over the years, experience has shown that many trained accountants in the public sector try to do their best with limited competencies in Public Sector Financial Management. This programme therefore will allow accountants in the public sector to specialise and acquire the required competences in this area.”

Mr Beene said in its five-year strategic plan, ZICA had envisaged developing two new programmes: Taxation, which was launched in December 2013; and Public Sector Financial Management.

He said the Institute would continue on the path of broadening its portfolio of qualifications in accordance with industry needs in order to support the country’s economic growth.

Mr Beene said ZICA took pride in giving opportunities to all eligible citizens to pursue its programmes.

“To this effect, the launch of Diploma in Public Sector Financial Management has been accompanied by the production of tailor-made study manuals for the subjects that will be studied,” he said. “These materials are meant to allow candidates to undertake the programme in any of the three modes that the Institute offers on its existing programmes: namely Full-Time, Part-time and Self-study modes.”

Mr Beene appealed to the offices of the Auditor General, Accountant General, Controller of Internal Audits and the local government service to partner with ZICA in human resource development of accountants.
Forex is often used in the context of international trade. It is the acronym for the wide meaning term - Foreign Exchange Market. It means a market, where one country’s currency is exchanged for that of another country through an exchange-rate system. The FOREX is the world’s largest and most liquid financial market.

FOREX is not actually a market in the traditional sense because there is no central exchange. Instead, the entire market is run electronically, within a network of banks, continuously over a 24-hour period. It is in turn called a VIRTUAL MARKET.

The FOREX market is a nonstop cash market where currencies of nations are traded. The brokers and banks act as intermediaries between customers and their needs. Foreign currencies are continually and simultaneously bought and sold across local and global markets. The value of traders’ investments increases or decreases based on currency movements. Foreign exchange market conditions can change at any time in response to real-time events.

**Features of Forex Market**

- 24-hour trading, 5 days a week with nonstop access to global Forex dealers.
- An enormous liquid market, making it easy to trade most currencies.
- Volatile markets offering profit opportunities.
- Standard instruments for controlling risk exposure.
- The ability to profit in rising as well as falling markets.

**How Does the Market Work?**

Markets are places where goods are traded, and the same goes with FOREX.

In FOREX markets, the “goods” are the currencies of various countries (as well as gold and silver). For example, we might buy euros with US dollars, or we might sell the Japanese Yen for Canadian dollars. It is as basic as trading one currency for another.

**The Market Activity**

The FOREX Market is peculiar in the sense that there is no “market” as such. In general, there is no centralised location for the trading activity. The trading occurs over the telephone and through computer terminals at various locations across the globe. The distinguishing feature of the FOREX Market is a 24-hour continuous currency exchange. In short, it is an exchange that “never closes”. There are dealers in every major time zone, in every major dealing centre.

**How Does One Profit in FOREX Market?**

Obviously, by buying low and selling high! The profit potential comes from the fluctuations (changes) in the currency exchange market. Unlike the stock-market, where shares are purchased, Forex trading does not require physical purchase of the currencies, but rather involves contracts for amount and exchange rate of currency pairs. The advantageous thing about the Forex market is the regular daily fluctuations in the regular currency exchange markets.

**FOREX Trading and a FOREX Deal**

The investor’s goal in FOREX trading is to make profit from foreign currency movements. More than 95% of all FOREX trading performed today is for speculative purposes (e.g. to profit from currency movements). The rest belongs to hedging (managing business exposures to various currencies) and other activities.

**FOREX trades are non-delivery trades**

Currencies are not physically traded, but rather there are currency contracts which are agreed upon and performed on the maturity date i.e. Forward Contracts. The two parties involved in the contract undertake to fulfil their respective obligations: one side undertakes to sell the amount specified and the other undertakes to buy it. As mentioned, over 95% of the market activity is for speculative purposes, so there is no intention on either side to actually perform the contract i.e. the physical delivery of the currency. Thus, the contract ends by offsetting it against an opposite position, resulting in the profit and loss of the parties involved.
Factors Influencing Market Movements

The general state of affairs prevailing in a country seems to be the primary factor in influencing the market rates. Key Economic data like the Balance of Payments, Payroll Figures, etc. are the drivers of this market. A recent example to drive home this point is the weakening of the Zambian Kwacha against the US Dollar when the Zambian capital expenditure figures were way above the expected levels. Thus, it is quite clear that any broad-based economic conditions can cause dramatic currency price swings.

It is also interesting to note that the market is also influenced to an extent by news and, at times, even by rumours. The FOREX market bears resemblance in this regard to the stock markets where a strong rumour can change the fortune of a company – for the better or for the worse. It can, hence, be safely said that anticipation of a certain economic condition acts as a stronger catalyst than the condition itself.

Participants in the FOREX

The participants in this market are (i) central and commercial banks, (ii) corporations, (iii) institutional investors, and (iv) private individuals.

It is also useful to categorise two distinct groups of participants in the FOREX, those whose transactions are recorded on the current account (importers and exporters) and those whose transactions are recorded on the financial account (Investors).

Importers and Exporters
Anyone who either imports or exports goods and services will need to exchange currencies to make the transactions. This includes tourists who travel abroad since their transactions would appear as services in the current account. These businesses and individuals will engage in currency trades daily, however, these transactions are small in comparison to those made by investors.

International Investors, Banks, Arbitrageurs et cetera
Most of the daily currency transactions are made by investors. These investors, be they investment companies, insurance companies, banks or others, are making currency transactions to realise a greater return on their investments or holdings. Many of these companies are responsible for managing the savings of others. Pension plans and mutual funds buy and sell billions of dollars worth of assets daily. Banks, in the temporary possession of the deposits of others do the same. Insurance companies manage large portfolios, which act as their capital to be used to pay off claims on accidents, casualties and deaths. More and more of these companies look to international market to make the most of their investments.

Why FOREX Markets?
Investors venture into the FOREX arena in the light of the innumerable benefits it provides. These include:

Liquidity: FOREX markets can dwarf any other market by its trading volumes. This enables an investor to derive greater benefits in the form of increased liquidity. Liquidity has always been a powerful attraction for any investor as it gives him the flexibility to enter or exit and in FOREX parlance, the freedom to open or close a position at will.

Access: The fact that the FOREX Market is a 24-Hour market provides an investor the benefit of greater access.

Flexibility: The FOREX Markets provide an investor with a great degree of flexibility given the fact he can establish a position for the period of his desire.

Execution Costs: Traditionally, the FOREX Market has no brokerage charges. The gains earned are generally through the difference in the market bid and offer rates, called “spread”.

Trending: Over long periods of time, currencies exhibit substantial and identifiable trends. With proper analysis of these trends and by utilising the various charting techniques, the investor can derive immense benefits out of any divergence experienced in the currency.

The Foreign Exchange Market Rate
The exchange rate represents the number of units of one currency that exchanges for a unit of another. There are two ways to express an exchange rate between two currencies (e.g. the $ [dollar] and £ [pound]). One can either write $/£ or £/$. These are reciprocals of each other. Thus if E is the $/£ exchange rate and V is the £/$ exchange rate then $ = 1/V. For example, if on Jan 8, 2016 the following exchange rates prevailed: E ZMW/$ = 10.29 which implies V S/ ZMW = 0.097. £ V/$ = 116, which implies E £/¥ = 0.0086.

Currency Value
It is important to note that the value of a currency is always given in terms of another currency. Thus the value of a US dollar in terms of Zambian Kwacha is the ZMW/$ exchange rate. The value of the Japanese yen in terms of dollar is the ¥/$ exchange rate.

Currency Depreciation
A currency depreciates with respect to that of another when its value falls in terms of the other. The dollar depreciates with respect to the yen if the ¥/$ exchange rate falls. Note that if the ¥/$ rate rises, then its reciprocal, the S/¥ rate falls. Since the S/¥ rate represents the value of the yen in terms of dollars, this means that when the dollar appreciates with respect to the yen, the yen must depreciate with respect to the dollar. The rate of appreciation (or depreciation) is the percentage change in the value of a currency over some period of time. For example, if on June 10, 2016, E ¥/$ = 116, on June 10, 2015, E ¥/$ = 105. Using percentage change formula: | (New value - Old value) / Old Value | Multiply by 100 to write as a percentage to get 0.105 x 100 = +10.5%. Since we have calculated the change in the value of the $, in terms of yen, and since the percentage change is positive, this means that the dollar has appreciated by 10.5% with respect to the yen during the past year.

Exchange Rate Risk in Investments
This is the risk that a business’ operations or an investment’s value will be affected by changes in exchange rates. For example, if money must be converted into a different currency to make a certain investment, changes in the value of the currency relative to the American dollar will affect the total loss or gain on the investment when the money is converted back. This risk usually affects businesses, but it can also affect individual investors who make international investments. This risk is also called currency risk.

Nature and Sources of Exchange Rate Risk
To shed more light on this, it requires first to look more closely at the nature and sources of the risk. Exchange rate risk, as defined here, is variability in the value of a project or of an interest in the project that results from unpredictable variation in the exchange rate. There are two types of exchange rate risks:

1. Project related
2. Financing related

Project related exchange rate risk arises when the value of a project’s inputs or outputs depends on the exchange rate. Typical infrastructure projects sell their outputs domestically, so, valued in local currency, revenues usually are not subject to exchange rate risk. But any input that is tradable, even if it is not imported, will have a world price, so its cost, measured in local currency, will vary inversely with the exchange rate. The cost of fuel, for example, creates exchange rate risk for a thermal electricity generator.

Financing choices affect the amount of exchange rate risk borne by different participants in the project (shareholders, creditors, customers, taxpayers). In particular, loans requiring repayment in foreign currency expose shareholders to exchange rate risk. As a result, shareholders may seek to shape the contractual arrangements to pass on some or all of the risk to the government or customers (through exchange rate guarantees or indexation of the tariff to the exchange rate).

Exchange rate risk is simply the risk to which investors are exposed because changes in exchange rates may have an effect on investments that they have made.

The most obvious exchange rate risks are those that result from buying foreign currency denominated investments. The commonest of these are shares listed in another country or foreign currency bonds.

Investors in companies that have operations in another country or that export are also exposed to exchange rate risk. A company

<table>
<thead>
<tr>
<th>Currency Value Calculation</th>
<th>Example</th>
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</thead>
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<tr>
<td>¥/$ Rate</td>
<td>S/¥ Rate</td>
</tr>
<tr>
<td>0.0086</td>
<td>116.00</td>
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Co-operate Social Responsibility

ZICA Women mark IWD with a generous gesture to Lusaka Children’s Hospital

By The Accountant Reporter

T he ZAMBIA Institute of Chartered Accountants (ZICA) marked International Women Day (IWD) commemoration, on March 8, by sharing love with children and women at Lusaka Children’s Hospital at UTH.

Accompanied by ZICA Chief Executive Officer Mr Hapenga M. Kabeta, the women donated 70 blankets, which the hospital principal nursing officer Mrs Likezo Mvula termed as “a generous gesture”.

Mrs Mvula said that while the provision of quality health care services was one of their primary goals, assistance from corporate organisations such as ZICA “would go a long way in not only ensuring that the children have a comfortable stay in the hospital, but also complimenting the efforts of the hospital staff.

The famous saying, ‘it takes a village to raise a child’ is evident in your thoughtful gift, which will aid in our patients’ speedy recovery. Thanks to you, we are assured [that] at least 70 children will keep extra warm this coming cold season,” she remarked.

She said that the majority of caregivers in the hospital were women and thanked the ZICA women and their management for choosing to spend part of their day giving back to the women and children at Lusaka Children’s Hospital.

In his speech during the donation, Mr Kabeta noted that although women had been the centre of human development from time immemorial, they had been the unsung heroines in raising of families.

“They are our grandmothers, our mothers, our wives, our sisters and our daughters, which is a great feat on this day,” he said.

Mr Kabeta said identification and preservation of the International Women’s Day to deal with women’s matters was important to humanity in general and the Zambia Institute of Chartered Accountants in particular.

He said the International Women’s Day was not a special day for women only, but for men as well.

“There can be no life without women hence the decision by the United Nations to dedicate this day to our women and promote more equality. From where I stand, I see the next decade and beyond to be an exclusive era for women. Any effort to suppress the women’s agenda is an effort in futility,” he asserted.

Speaking to the theme of the IWD, “Be Bold for Change”, Mr Kabeta said it befits the occasion.

“There is need for women to be bold to change and support one another but not for the sake of it but for national development. It is important to note that there can never be change if there is no boldness and courage. There should be a realisation among women that they should participate in influencing the development agenda of nations,” he said.

“However, in the change process, we should have the boldness to separate the child from dirty water. The business of the International Women’s Day is the agenda of humanity, not exclusive for women and should therefore require the support of everyone. At ZICA, women are more than 50% of all employees as we are an equal opportunity employer,”

Mr Kabeta said by “coming here”, the ZICA women want to change and make a difference by moving closer to mothers and children in need.

He said the choice by women accountants and female members of staff to support the UTH Children’s Hospital was deliberate and natural because parents need to take care of their children.

“The Children’s Hospital reflects ‘our tomorrow’ and should therefore be cared for today,” he said. “For Zambia to ‘develop into a prosperous middle income economy by 2030’, she needs a critical mass of healthy young people able to be part of the social economic development agenda.”

Mr Kabeta said the demographic distribution of Zambia’s population still indicates that over 65% are young people, hence the choice of the children’s hospital.

“We believe that from these children, the future leaders; doctors, nurses, teachers, accountants, engineers, etc. will emerge,” he said.

Mr Kabeta said ZICA women believe children need to be warm while receiving health care.

“Caring for children brings more pressure and challenges to the caregivers when there is a shortage of such requisites as blankets. We hope this small gesture will go some way in reducing the pressures you face in your delicate work. In line with the theme of the International Women’s Day, we are duty bound to boldly support the children’s hospital despite our limited resource envelope,” Mr Kabeta said and encouraged staff to continue carrying out “this most important but difficult role of serving lives despite the odds.”
Zambia: Improving the Balance of Trade

A Case for Protectionism

By Francis Milambo (AZICA, Ad.Dip CIM, FCI, BBA)

E ver tried exporting a product or service to the United States of America? Tried exporting a product to South Africa? It's not that easy right?

One would argue that these two countries and many others make it almost impossible for other countries to export products to them. I thought so until the time I realised that it was by NO chance a mistake but rather a deliberate policy. It's called PROTECTIONISM.

Protectionism in basic terms can be defined as "a theory or practice of shielding a country's domestic industries from foreign competition". This can be achieved by many ways, including high taxes on imports, import quotas, complete ban on imports of certain goods or tedious and lengthy import procedures.

I am of the view that many of Zambia's economic troubles can be solved using this important tool - Protectionism. With protectionism, Zambia can improve its balance of trade and also in line solve most of its currency problems. If the government of Zambia can introduce quotas and total bans on importation of certain products, it will create an instant extra unsatisfied demand for those products which bans and quotas have been introduced. This entails that the local manufacturers will have to meet this unsatisfied demand. How? By producing more. For increased production, the local manufacturers will need to employ more people (job creation) and increase it's inputs of raw materials (more demand for local raw materials) and further jobs and opportunities for those engaged in the production of raw materials.

What is unknown to most people is that importing products is in most aspects equal to "exporting" jobs since those imported products are produced in other countries were jobs are created unlike in the local economy. Protectionism will boost local production, creating jobs for our youth and also stabilise the kwacha as the dollar will be less demanded since imports would have been reduced. Furthermore, with increased production and increased demand in the local economy, more taxes will be remitted to the treasury but beyond this will result in other positive externalities from aspects such as corporate social responsibility from profitable local firms.

Some may argue that protectionism through total bans or import quotas on certain products increase or bring up shortages. Definitely and most likely will BUT it is key to note that by economic principles, shortages are caused by generally a situation where demand outweighs supply. Hence, in absolute terms, shortages are merely an implied invitation to suppliers and manufacturers in an economy to expand capacity and supply more of their products to the market so as to satisfy demand. An invitation to increase production to a greater extent more demand for labour and other raw materials. Zambia imports most of it's products and this is a perfect case of "exporting" jobs to foreign countries and also leads to trade exchange deficits.

Others argue that protectionism may trigger retaliation from other countries. Possibly so, though I must say that history has proved otherwise. Just to highlight my line of thought; how many countries, if any, have retaliated to South Africa's protectionism? Very few, if any!

Protectionism in summary can help recover or stabilise Zambia's economy.

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with operations abroad will find that the value in domestic currency of its overseas profits changes with exchange rates.

Similarly an exporter is likely to find that an appreciation in its domestic currency will mean that either sales fall (because its prices rise in terms of its customer's currency) or that its gross margin shrinks or both. A depreciation of its domestic currency would have the opposite effect.

However, the two risks can often hedge each other. Suppose an investor in the US buys shares in a British company; there will be a risk that the value of the investment in dollar terms may decline if the pound falls against the dollar.

Now suppose that the British company makes a substantial proportion of its sales in the US and the rest of its sales are dollar denominated exports. This situation is not uncommon in sectors such as pharmaceuticals or IT or any which sell into truly global product markets.

In these circumstances, a fall in the value of sterling is likely to reduce the value of the shares of the British company in dollar terms, for a given share price in sterling terms. However, if the pound depreciates, the share price is likely to rise as the value in pounds of its dollar denominated sales rises.

The end result is that the two types of exchange rate risk neatly hedge each other.

This type of offsetting of risks can also be important when dealing with investments in emerging markets (especially small emerging markets such as Zambia) that often combine a volatile currency with high dependence on imports and exports. Small economies tend to be particularly open to the global economy because an economy that lacks technology must import many things or do without, and because an economy that produces a small range of goods or service in quantities that far exceed domestic demand (at reasonable prices), must depend on exporting them.

FOREX Risk Control measures include

Arbitrage - arbitrage, generally means buying a product when its price is low and then selling it after its price rises in order to make a profit. Currency arbitrage means buying a currency in one market (say New York) at a low price and selling, moments later, in another market at a higher price.

Forward Exchange Rate - The forward exchange rate refers to the rate, which appears on a contract to exchange currencies 30, 60, 90 or 180 days in the future. For example, a corporation might sign a contract with a bank to buy South African Rand for dollars 60 days from now at a predetermined exchange rate. The predetermined rate is called the 60-day forward rate. Forward contracts can be used to reduce exchange rate risk.

Hedging – A currency trader is hedging if he or she enters into a forward contract to protect oneself from a downside loss. However, by hedging, the trader also forfeits the potential for an upside gain. Thus, hedging protects against loss but at the same time eliminates potential unexpected gain.

About the Author
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The world has become a global village, that is the whole world is considered as being closely connected by modern telecommunications and as being interdependent economically, socially, and politically. This has an effect on the operations of organisations and their respective departments. It is cardinal that our skills and the way of doing things are upped to measure up to ‘world-class’ standards and audit departments are not an exception.

There is no one version of ‘world-class’ audit departments. The practices of effective audit departments depend on the industry, the firm’s organisational structure and culture (e.g., privately held versus publicly traded), and the audit department’s leadership. But, however different these departments are, they have commonalities among them.

It is critical to define the word ‘world-class’ before we proceed further. Some synonyms are “top-notch”; “premier”; “outstanding”; and “distinguished.” A world-class entity is at the forefront of industry practices; is emulated by others, and may even receive official recognition of its excellence from outside parties. At its core, a world-class entity is about the people—the most important asset of any organisation. A leading audit department is composed of effective auditors who consistently perform in certain behaviours in order to become trusted advisors. These behaviours are:

i. Consistently exercising sound judgement
ii. Achieving tactical results while remaining strategically oriented
iii. Being a source of and sharing of institutional knowledge
iv. Expressing the same message in a variety of ways until others’ understanding is achieved
v. Good reporting, writing skills
vi. Simplifying complex concepts without compromising the meaning
vii. Speaking mindfully and cognisant of the impact of what they say and don’t say
viii. Focusing on cause and effect relationships within businesses, processes and functions
ix. Getting to root causes of problems, risk triggers and control breakdowns
x. Demonstrating professional scepticism and critical thinking without antagonising and irritating others.

The auditors carry-out key practices that can be categorised as:

a) People-related
People-related practices affect the human capital: how departments attract, develop and retain their talent and preserve their institutional memory.

b) Process-related
Process-related practices are composed of
defined, repeatable tactics that can be taught, measured and enhanced.

**c) Positioning-related**

Positioning-related practices pertain to the audit department’s role in relation to the board. Of the three categories, the positioning-related practices are the most susceptible to an organisation’s culture and structure and the audit department’s leadership.

**People-related**

What attributes would you want to see that would indicate that the members of this group were a team and not just a collection of individuals? The following are the attributes of an effective team that pertain to talent and human capital. As you look over this list of characteristics, consider how your team measures up.

i. shares a common goal or objective

ii. harnesses the efforts of a mentally diverse team

iii. leverages mechanisms to identify and close skill and competency gaps, especially in the areas of business acumen and technology

iv. follows a defined process to build strength, business acumen and technical proficiency

v. develops human capital at all levels within the audit organisation

vi. has a reliable, useful co-sourcing partner

**Process-related**

Effective auditors should be able to have an understanding of all business processes. The audit team must adopt a process-oriented training and consulting approach. While each of the auditees have unique needs, the approach to training and consulting is the same: conduct a needs assessment, draft a statement of work, conduct the training or consulting if the auditee decides to move forward, and provide a post-project assessment. With this framework, we provide customised, behaviourally-based solutions within a reasonable time frame.

This process has been tweaked throughout the years, but its main controlled, repeatable steps are the same. By mimicking the tenets of premier audit departments’ methodologies, we increase the probability of providing practical, customised, efficient and effective solutions to our clients.

A world-class audit department engages in the following process-related habits:

i. Uses a guidance-based methodology to keep the universe evergreen and perform risk assessments of its auditable entities

ii. Uses a risk focus to set priorities and allocate resources

iii. Employs a methodology but not a strict, mathematical formula to evaluate inherent and residual risk at the audit level, not just at the universe level

iv. Leverages technology to complete audits

v. Optimises data analytics and monitoring

vi. Demonstrates a commitment to continuous improvement and quality

vii. Provides roll-up trend reporting on inherent risks, residual risks and common findings

**Positioning-related**

Fundamentally, the question of accountability is not difficult: Management is responsible for operating the business. The board of directors is responsible for seeing that management does a good job and shareholder or stakeholder value is created and enhanced. As such, a world-class audit department:

i. Has a strong relationship with business leadership, including a board of director reporting relationship (and the audit committee decides compensation)

ii. Is positioned within the organisation as a source of value, exemplified by inclusion and participation in strategic initiatives

iii. Provides talent to the rest of the organisation

iv. Partners effectively with business leaders without compromising integrity and independence

As an auditor, ask yourself:

i. How many repeat issues do you identify and report?

ii. How often do your audit committee and executive committee meet?

iii. What is your role in these meetings?

iv. How has your department handled quality assessment reviews and ongoing internal audit quality control?

v. How and to whom do you report on audit quality control results?

vi. How do you and your team measure up against these people, process, and positioning-related habits?

If you found some areas of need, view this as an opportunity. Another aspect of a competent auditor and audit department is the ability to notice a need for change and take steps to make the change a reality.

**Conclusion**

From a change management perspective, what support would you need to introduce the change and achieve the desired results from it? Would you need a champion? If so, who would this person be?

You may already have a weakness of striving towards excellence. Excellence is not static—industry and organisational standards change. Whether you are a one-person department or one of hundreds of auditors, your effectiveness as an auditor should have an important impact on your organisation. How do you measure up?
Mr. Wesley Moonga Beene is no stranger to the Zambia Institute of Chartered Accountants (ZICA) members. He is the immediate past president of the Institute, which he headed for a three-year term. He chose not to recontest his position at the ZICA Annual General Meeting held on April 28, 2017 at the Avani Victoria Falls Resort in Livingstone.

A partner of Grant Thornton, Mr. Beene advises accountants, especially the upcoming ones, to be stable, saying money is not everything in one's career.

The Beginning

Beene was born in Southern Province to Webster and Julia Beene 51 years ago. Sadly, his parents passed on in 1995. The young Beene started his primary school in Mazabuka, moved to Livingstone before he went to Chipepo Secondary School.

He was employed as a management trainee at the then state-owned Zambia National Commercial Bank and went on to study AAT at the Zimco Institute of Management. He proceeded to study ACCA until he completed at the Zambia Centre for Accountancy Studies, when it was still operating at Evelyn Hone College. That was in 1996.

After his stint at Zambia National Commercial Bank for three years, he resigned and joined Coopers and Lybrand as an audit trainee and has been with Coopers and Lybrand, which later become Grant Thornton in 1998. He pointed out that “by and large, he has only worked for two firms in all his working career of about 29 years.”

Beene explains that in 1998, Coopers and Lybrand and PricewaterHouse merged and became known as PriceWaterHouseCoopers. However, the Zambian firm of Coopers and Lybrand did not go into the merger but instead became Grant Thornton.

He rose through the ranks at Coopers and Lybrand to a level where he is a partner now.

Beene was already a partner when he decided to pursue a Master of Business Administration (MBA) focusing on Accounting and Finance at the University of Liverpool.

But accountancy was not his original big idea. Beene wanted to study medicine. “To be honest, initially I didn’t want to become an accountant. For any good student, people would say ‘do sciences.’ I was a science student and wanted to do medicine. If you were to ask any of my colleagues in High School, they would tell you that I was one of the top science students,” he recalls. This was against the backdrop that in 1985, Beene had a serious attack of arthritis. His head teacher then asked him to defer sitting examinations but he insisted on writing his examinations. “I wrote my exams and passed. Though I passed very well, that could not allow me to go into the Medical or Natural Sciences School at the University of Zambia. The University of Zambia really wanted me to rewrite one or two subjects and I said ‘I don’t want to waste my time.’ And that’s how, with my ability, the Zambia National Commercial Bank was able to take me on as a management trainee,” he explains.

The Choice

While at ZANACO, young Beene was bewildered with a choice of whether to pursue banking or accountancy as a career. The banking routines, clearly did not meet his fantasy and he instead thought of pursuing the accountancy career.

He goes on to explain: “I thought probably a broader range rather than a narrow range would be better; a broader range then was basically to do accountancy. I must say that I applied to different institutions to try and join accountancy. I was not taken on but Coopers and Lybrand then decided to take me on.”

Beene says while pursuing accountancy, he developed keen interest in courses like financial accounting and taxation. He also developed very keen interest in how financial statements were prepared and read.

“As a matter of fact, when I was doing my taxation programme in one of the AAT courses, Honourable Felix Mutati [the current Minister of Finance] actually taught me taxation. We didn’t have a lecturer in taxation at the Zambia Institute of Management Studies then, so Honourable Mutati came through; he had just completed his ACCA in the UK and he was Finance manager for National Hotels. If you remember, National Hotels was a holding company under ZIMCO Stabilty is Key

Wesley Moonga Beene’s Professional Accountancy Journey:

Wisley M. Beene in his office at Mukuba Pension House in Lusaka during the interview

PHOTO: GEORGE LONSWANA

Stability is Key

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that controlled Hotel Intercontinental, Pamodzi Hotel, Mosi-O-tunya Hotel, the Makumbi Boat Cruise, the Savoy Hotel in Ndola, and several other hospitality facilities, including lodges, for instance, the Presidential lodge in Chichele. Honourable Mutati was the Finance Manager then; who when he came back from the UK offered to lecture in Taxation on part-time."

Beene’s Taxation class had people like Sylvia Chalikosa, the Mpika Central Member of Parliament. Others, according to Beene, are Helen Sibanda, who is in Australia; and former Council Member Major Humphrey Mutambo (Rtd). He continued: “Until that time, I developed an interest in Tax and to some extent Audit. Dr Raul was my Guru, he basically encouraged me because Financial Accounting, Management Accounting were my favourite subjects. These number crunching things were very interesting, so I desired to be one of the best number crunchers in the diet of my ACCA. I will tell you that I was the overall ACCA best student in Zambia at the time. It’s only that they were not giving awards under ZCAS at the time but I was the best student. I got the best result in Financial Strategy that time.”

**Major Achievements**

Beene long desired to become a partner in a firm like Grant Thornton. He recalls that as a trainee at Coopers and Lybrand, one of the partners asked him what he wanted to become after working for some time and he told him that he wanted to be a partner.

“I was just a trainee then. I said I wanted to be a partner and he laughed. He said, ‘Do you know what it takes to be a partner?’ In reply, I said ‘I don’t care what it takes, I want to be a partner’ and I think that has been one of my biggest achievements – to be a partner in a big firm like this one,” he explains.

Beene also says gaining a higher expertise in Financial Reporting was another of his “great achievements” in his career. “So understanding financials in and out has been one of my greatest achievements in accounting,” he says. “Better still, I headed the Technical Committee of ACCA, Zambian branch; I headed the Technical Committee for ZICA for three years and I headed the Institute for three years. Those were really my good achievements. So I went to the helm of the profession. I think that this has been quite a good journey for me.”

**It is all about service and leaving a legacy**

Interestingly, Beene served as president for ZICA for a one-year term of three years. He was still eligible for another term of office as President but he decided not to contest to allow others take up the presidency of the Institute despite the encouragement he got from his colleagues. The position was filled by another accomplished accountant Jason Kazilimani Jr. during the Institute’s last Annual General Meeting.

“When I served on the ACCA Panel in Zambia as Chairman of the Technical Committee, I only served for one term. I was eligible to go for the next term, and my contribution was very good, that can be attested to. When I served on the Technical Committee of ZICA, I only served for one term. Interestingly, when I was becoming President (of ZICA), I was not challenged, I went through unopposed, not that there were no people willing to challenge me. I know that there were other people willing and worthy to challenge me. Even among Council Members, there were people willing to challenge me but when they heard that I was going for it, they let me go for it, which basically meant that people really wanted me to serve, but don’t take for granted people’s wishes over you. In leadership, it is always necessary to know the time to leave the stage. There is a saying that ‘Leave the stage when people are still clapping’. And that’s what I did: when people were still clapping, I left the stage,” he explains.

“And that makes you leave a legacy that people will remember you for, as someone who never overstayed.”

Beene says overstaying in a position causes fatigue in some people. He firmly believes that three years was long enough for him to contribute effectively and leave for others to carry the mantle. “You don’t overstay in positions, there is a lot more to do, other than being in positions,” he advises.

Beene says during his tenure, his Council Members remained professional as they only focused on matters that affected the profession. He says he made sure they stuck to the mandate for which they were elected.

Among his successes as President, Beene recounts the initiation and completion of greenfield projects like the new ZICA ultramodern office block. “We now have an insurance policy for members. When you die as a member, there is an amount paid to your family, as long as you are a member in good standing (paid up). When a member is sick and gets hospitalised, the policy covers medical bills. Those are my key successes. There are other things like professional progression of the Public Sector Financial Management diploma launch; and the Diploma in taxation. By the way, when I was serving in the Education and Technical Committees, those were some of the things we used to discuss and now they have come to fruition,” he says.

However, Beene says he would have loved his team to launch the CA programme under his term of office as it was a matter he was quite candid about.

**ZICA’s position in Pan African Federation of Accountants**

The Pan African Federation of Accountants (PAFA) currently has membership from the following countries: Benin, Botswana, Burundi, Cameroon, Congo Brazzaville, Democratic Republic of Congo, Ethiopia, Gambia, Ghana, Guinea Bissau, Ivory Coast, Kenya Lesotho, Liberia, Libya, Malawi, Mali, Mauritius, Morocco, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Sudan, South Africa, Swaziland, Tanzania, Togo Tunisia, Uganda, Zambia and Zimbabwe. Beene says ZICA is a respected brand in the PAFA. According to Beene, in the Southern Africa bloc, ZICA is probably second from South Africa Institute of Accountants (SAICA).

Nearly all PAFA member states have their PAOs but Beene says ZICA commands a lot of respect.

“It commands a lot of respect from the technical perspective and from the initiative perspective,” he explains.

He is cognisant of the political challenges at PAFA level, where members can preoccupy themselves fighting for identity as opposed to the accountants’ interest.

He says with commendation that ZICA has stood for the interest of the Accountancy Profession as opposed to identity.

“I will give you an example; we are launching the CA programme this year, my predecessor will tell you that initially they wanted it to ride on the back of SAICA. SAICA is basically South African Institute of Chartered Accountants, an old profession. The CA Zimbabwe is basically bread and buttered from SAICA - it rides on the back of SAICA. You have Institute of Chartered Accountants of Namibia, which also basically rides on the back of SAICA. SAICA is a strong brand, no doubt about it. As our predecessors launched ZICA PQ, the idea was [for it] to ride on the back of SAICA but there was resistance from SAICA, you know,” he explains.

“The practical training did not go according to plan, for instance, the support we received from corporates and auditing firms was not as expected. We then decided to contract the Institute of Chartered Accountants of England and Wales, to review the ZICA PQ for benchmarking purposes, and this was carried out very well. And as ZICA, one of the other aspects for which we are so respected for is that we have had three tiers of accountability studies, which are basically Technician, Licentiate and Professional levels and that you will not find at
Zambia Railways Ltd accountants at their Top Office in Kabwe

ZICA CEO Hapenga M. Kabella hands over blankets to Lusaka Children's Hospital Principal Nursing Officer Mrs Likezo Mvula

ZICA member of staff Mrs Christine Tembo at Lusaka Children's Hospital wards during the donation

UTH members of staff with the ZICA team during the handover

Zambia Railways Ltd accountants at their Top Office in Kabwe
Members registering to attend the Accountants Forum at the Accountants Park

Up left: Education and Training Manager Mrs Sherlyn Hanene with Lukanga Water & Sewerage Company Ltd accountants at Lukanga Water House in Kabwe

Director of Education and Training Mr Modest Hamalabbi talks to UNZA students during the ZICA outreach

Mr Modest Hamalabbi with Zambia Sugar Plc accountants at Nakambala Sugar Estates in Mazabuka
SAICA level, while the other countries in PABA don’t have home grown PQ.”

Beene says ZICA has been and is still trying to push for a technician programme for the Southern Africa region. The “East African region as a bloc have a Mutual Recognition Agreement allowing members of the PAOs in the region to freely move within the East African Community. In West Africa, there is a regional accountancy technician qualification with common examinations, which enhances regional integration. However, in the Southern African region, there is no common qualification at either technician or professional level. The focus in the region has been on identity as opposed to the common interest, and as ZICA we have been pushing for one focus that would bring the profession closer together. ZICA proposed a curriculum for the regional technician programme, which we hope will be rolled out to the entire region at some point in the future,” he says.

Advice to the next generation of Zambian accountant

Beene highlights the importance of role models in shaping the accountant’s disposition. When he started his career journey as an accountant, Beene looked to some outstanding accountants who were his role models. These he admired and followed in their footsteps in his accountancy journey. “I can tell you the likes of late Golden Amatende, the likes of George Sokota, the likes of Cruickshank, the likes of Hastings Mtine, Mwila Lambwe, Eddie Hamakawa, among others, had a lasting impact on my career. These were men who basically mingled with the powers that be because they were respected people in the profession and they carried themselves as respected accountants,” he explains. “There are few accountants, the Esau Nebwe’s of this world; those were really role models. Some of us heard about their names in newspapers; you read about them and you would say ‘Oh these are great men’. I have had a privi-lege of working with some of these great men.”

For Beene, the upcoming accountants must understand what it takes to be an accountant; what honesty, integrity and professionalism mean in Accountancy. “If they can understand what it takes for one to be an accountant, I will be the happiest person to pass on these values because those are the values that have propelled us to where we are. I want to encourage the upcoming accountant to look at the core values of ZICA. It hurts me, as a practicing accountant, to see someone cheating or when the numbers are not tying up and someone is arguing instead of owning up,” he says.

He challenges the upcoming accountant not to be shy to ‘learn the ropes’ of their profession. “To learn, they say, the first step to knowledge is your ignorance of a matter; then someone will teach you. So to the upcoming accountant, when you don’t know something, ask from those who know, then you will be taught. The training that we go through studying accountancy is just the first step in the training of an accountant to gain technical skills. Most of the training is when you sit behind that table and start number crunching, reading through,” he says. As the saying goes, practice makes perfect.

According to Beene, the Accountancy profession requires one to be up-to-date with knowledge of what goes on in the ever-chang-ing world. “You cannot be an accountant and just sleep; then you are in the wrong profession. Many years ago when I joined the accountancy profession, I never used to wear glasses but now I wear glasses because the amount of time you spend reading, updating yourself in new things [is a lot]. So really that is my advice to the upcoming accountant. It takes time to be where you have to be,” he stresses. It is therefore important to be patient but focused.

Illusion of greener pastures

Beene has a word for the not so content accountant, who is always looking out for greener pastures. He advises that the accountancy qualification is rewarding but requires one to be stable as well. “Now I see people hopping from one job to another and wanting to make it to the top. Probably it’s a generational issue but to be honest, stability is key. My advice is that be stable on the job. Money is not the key thing. I will tell you that as a practicing accountant, I have only worked for two institutions for the 29 years of my working career. You may ask; you mean in all these years you never looked for a job elsewhere? I tried to get out of here and I got jobs, very good paying jobs for that matter. I had been offered a high paying job by Meridian Bank, I could have easily moved. I got offered a well-paying job with Cavmont Bank, which I could have moved to; I also got a high paying job with Coffee II, a World Bank project, but I didn’t move. I got yet another well-paying job with Union Bank those days, but I didn’t move and with hindsight, today I say probably I made a good decision. I don’t think I regret having stayed on.”

He says a greener pasture is good but one notices the brown patches as they get closer. He says a lot of young people hope for greener pastures and when they get there “they notice the brown patches, and hop to another supposed greener pasture and find the same brown patches.”

“I grew up as a herds-boy; you would notice that when you are grazing animals, they are always moving, looking for where there is green grass but they come back to where they started from; so stability is key. And then you acquire experience and trust in that firm. Money is not everything. I can tell you that there are people who have moved from one firm to another just over a K100; what for? And when they go there, they find that the environment is totally different. For me it’s not just the money I look for, there are many things I look for: How is my emotional wellbeing around that place? Because remember, a place where you go to work becomes your family. So you can’t be hopping from one family to the other. So my advice is; yes, move but I think try to be stable. If you look at most of the senior people that are really stable in their careers, they have been in those careers for years,” says Beene.

Wesley Moonga Beene would love to be remembered as one who carried himself very professionally. According to Beene, he does not mix his social life with professional work. “When I am in my social life, it is social life. When I am doing my work, it’s purely work and I want people to remember me as somebody who carried himself in a professional manner in executing his duties and a person who didn’t have any malice in doing whatever he was doing,” says Beene.
Zambia’s Economy: Lessons From South Korea

By Francis Milambo

South Korea was a poor country in the 1960’s relying on Rice aid from countries such as the United States of America. In the 1960’s South Korea’s Gross domestic product (GDP) per capita was around USD 1102.53, this lower than Zambia’s GDP per capita which was around USD 1723.88 during the same period. Zambia was arguably richer than South Korea in the 1960’s. Fast track to 2015, South Korea had a GDP per capita of USD 25,022.80 whilst that of Zambia was USD 1,625.15 in 2015. South Korea is the fourth largest economy in Asia and ranking as the eleventh largest economy in the world. It moved from being one of the world’s poorest countries to a developed, high income country in just one generation culminating into an economic “miracle” that has come to be famously known as the “Miracle on the Han River”. Having almost no natural resources South Korea still remains one of the fastest growing developed countries in the world. Where did they get it right? What can Zambia learn from the above economic miracle? The following article aims to highlight certain areas and/or policies that were cardinal to South Korea’s economic “miracle” and try to apply them to the Zambian context.

1. Rigorous education system

South Korea adopted a rigorous two-tier education system that left no one out. Under
A rigorous education system that leaves no one out is essential to economic development.

2. Research and Innovation

South Korea invested heavily in research and development. Their universities and colleges are centres of serious research and innovation is heavily emphasised in the school curricular. With research and innovation especially in the science and technology field South Korea is able to supply the world with top of the range products that compete toe to toe if not better with products from other developed and highly rated countries such as Germany and the United states. Ever heard of Samsung products? I surely bet you have, well that is a product of South Korea. Having highlighted the above, Zambia must start to invest heavily in research and development and innovation. The countries budgetary allocations and also that of our universities and colleges must reflect this. Our schools should not only be centres of learning but also serious centres of research and development with innovation highly emphasised in our school curriculum. Whatever happened to that guy from University of Zambia (UNIZA) who had made an automated Nshima cooking machine? That had a potential to be a million if not billion kwacha project as almost everyone in Zambia and also neighbouring countries eats Nshima. There is need to invest in research and innovation in the use of various agricultural products such as sweet potatoes, mabuyu and many other agricultural products that go to waste year in year out. **Lesson to Learn:** Research and development and innovation can help to improve Zambia’s economy.

3. Industrialisation

South Korea industrialised massively so as to improve it’s economy. Through industrialisation jobs were created and companies paid taxes which boosted the nation’s treasury. Industrialisation helped reduce imports and thus improve the balance of trade in South Korea’s favour. Through industrialisation the inflow of foreign capital was greatly encouraged to supplement the shortage of domestic savings. Zambia already has an industrialisation strategy but the problem lies in it’s lack of implementation. The industrialisation strategy needs to be implemented. This will have an absolute impact of reduced imports, more jobs, more taxes and an improved balance of trade. **Lesson to Learn:** Industrialisation can help improve Zambia’s economy.

4. Export-Oriented Economic Strategy

South Korea adopted an export oriented economic strategy in turn becoming one of the world’s highest exporters. What South Korea realised was that for you to export, you must produce and more production means more jobs, more taxes to the treasury and beyond that through exports the country would have an improved balance of trade. Important to understand is that when you import goods or products you are practically or indirectly exporting jobs as jobs will be created in the country were production is taking place which is the exporting country and not the importing country. Come to think of it how many jobs are created by Zambian demand for products in South Africa every year? I bet hundreds of thousands (Jobs which could have instead been created in Zambia if we produced locally). Exports are also a good source of the much needed forex. Zambia must adopt and implement a rigorous export oriented strategy backed by massive local production. **Lesson to Learn:** An Export-oriented economic strategy can help Zambia improve its economy.

5. Sacrifice

South Korea took sacrifices in order to improve its economy going even to an extent of freezing its budget for a while. It at many intervals adopted a conservative monetary policy and tight fiscal measures so as to curb inflation. Development in any form comes with sacrifices and Zambians must take the mantle of sacrifice and conservative monetary activity at individual level and national level if we have to improve and develop our economy. By austerity and tight fiscal measures we mean genuine austerity otherwise the fruits of such measures will not be realised. With the rumoured IMF austerity coming our way, Zambians though painful must embrace it for the long term good and prosperity of our economy. **Lesson to Learn:** Development comes with sacrifice and Zambians must embrace conservative monetary and tight fiscal measures for the good of the country over the long-term.

Conclusion

Development be it economic or any other is not an event but rather a continuous process resultant from a series of deliberate and planned actions to produce a desired outcome.

**About the Author**

Francis Milambo is a graduate of the ZiCA professional programme, holds a certificate in Financial Crimes Investigations, CIMA Advanced Diploma in Management Accounting, and a Bachelor of Business in Applied Accounting.
The case of broadening the tax base in Zambia

By Jenipher Nsiku Nyendwa

On 8th November 2016, I attended a Breakfast meeting at Radisson Blue Hotel organised by The SAP Business One.

What caught my attention was what was said about how many Small and Medium Enterprises (SMEs) we have worldwide. They said that there are about 400,000,000 (four hundred million) registered SMEs apart from the number of the unregistered ones. The number of the unregistered SMEs was not given, but obviously, it is a good number. The number of big organisations that fall outside the SMEs was not given, but obviously, the number is much lower than the number of SMEs.

If this is the case, then it means the number of people employed by SMEs is greater than the number of people employed by the big organisations, thus SMEs account for more employees than the big organisations.

It is assumed that SMEs do not make huge returns and obviously you cannot compare the returns of the SMEs with those of big organisations, although in some cases the opposite is true. The salary and wage rates of SMEs cannot be compared with those of big organisations, although again in some cases the opposite is true whereby, SMEs pay much better than the big organisations.

Sometimes even when it comes to performance, some SMEs are performing better than the big companies with very high profit margins. But generally big organisations are assumed to be doing better than the SMEs. It could be true to assume that the world statistics is also true for Zambia where SMEs are more than the big organisations. And it is also true to assume that the SMEs account for more employees than the big organisations in Zambia.

From my studies, I have learnt that countries
raise funds from taxes for them to carry out the national operations and developments, but of course the taxation must be equitable. Those getting more must pay more tax, and those getting less must pay less tax. It must be realised that it is the responsibility of everyone to pay tax (corporations included), because it is a way the country raises funds for operations. This should not be left to a small number of persons to pay taxes. All must pay, no matter how small; it adds up.

I am an accountant, and accountants look at accumulating figures, which come from summing up a number of figures to make the big figure that is reported. If you are to find out what made up the reported figure, you would be shocked to see that even a K1 was added to the reported figure to make it what it is.

If this is true, then the government is losing out on small amounts that could be collected from all the people that are getting paid within the tax free bracket. There are more people who work in Zambia, yet they do not pay taxes, because they fall in the tax free brackets.

Most people in Zambia are being paid in the range of K1,140.00 to K3,300.00, which falls within the tax free bracket. If this is true, then less tax is paid, because it is only a few people that pay tax from their salaries and wages, and it is not a lot of people that fall within the taxable bracket. The majority do not pay tax.

For example, Company Z is labour intensive and it employs about 100 employees. In this organisation, 90% of the employees fall within the tax free bracket, while the 10% are taxed. This translates to only 10 people paying tax and 90 people not paying tax.

**Current Scenario at the current rate of 35%**

In company Z, the wages and salaries range from K1,140 to K20,000 per month per person. The majority of the employees are in the tax free bracket and their wages range from K1,140 and K3,300. The salaries of those that pay tax range between K3,500 to K20,000. If we use the average rate of K11,750 (K20,000+K3,500)/2 for the 10 people (10%), at the rate of 35%, total tax payable will be K41,125 (K11,750 x 10 x 35%) per month which would translate to K493,500 per annum.

**Current Scenario in 2017 at the increased rate of 37.5%**

In 2017 the tax paid by the 10 people (10% of 100) will be, K44,062.50 (K11,750x10x37.5%) per month, assuming no changes are made to the salaries and wages. This will translates to K528,750 per annum. An increase of K2,937.50 per month and K35,250 per annum. This is the amount received from the 10 taxable workers of this model company.

If those in the tax-free bracket were to pay tax at 5% and the tax remained at 35% (No tax increase)

The 10 people that pay tax, would pay total tax of K41,125 per month (K493,500 per annum).

The 90 people would pay total tax of K9,990 per month (K119,880 per annum), calculated as follows:

If those in the tax-free bracket are allowed to pay tax at a lower rate of 5%, from a salary and wage range of K1,140 to K3,300, the average salary/wage would be K2,220 (K1,140+K3,300/2) and the tax from them would be K9,990 (K2,220x 90x5%), which would translate to K119,880 annually.

Total tax per month would be K51,025 (K41,125+K9,990) per month and K612,300 per annum, which is far higher than K528,750 to be collected from the 10 people after the increase of tax to 37.5%.

If the 90 people are also made to pay tax at 5%, the increase would be K83,550, which is about 16% of the tax the government would get if the tax is only collected from the 10 people who are in the tax bracket now.

With this, the government would get more money than they are currently collecting. The tax would be distributed to every one proportionately and equitably and at least every one would take the responsibility. The few people in the tax bracket would not be overburdened also.

I believe paying of taxes is a responsibility of every countryman and woman. It is not only for a few people. In Zambia, only a few people pay tax and the majority do not. For someone getting the minimum wage, the tax they would pay would be as low as K57.00 and for someone getting the tax free amount of K3,300, the tax they would pay would only be K165. I believe these amounts are affordable and the majority of the people are in these ranges.

The tax rate can even be reduced to 2.5% and the amount collectable would be K4,995 per month and K59,940 per annum. This amount is higher than the amount to be collected if the tax is increased to 37.5%.

I also believe that the tax rates can even reduce further to about 30% and the government would not be in a loss at all, because they would have broaden the tax base. Sticking to the 10% of the employees only is not helping our country.

There are also some adverse effects in that the taxes reduce in the event that people are dismissed, resign, retire or die and also winding up of companies. The replacements do not automatically go with the same high salaries. People employed to replace those leaving employment are mostly given less than the people they are taking over from.

The effect from the 90% group is not so much, because they are dictated by the minimum wage and any replacement would be within the same range and therefore the tax would not be negatively affected.

There are a lot of organisations that are normally paying at minimum wage. Taking a quick look across Lusaka, there are a lot of small companies falling in the SMEs category that have employed workers who do not pay.

Look at the Shopping Malls, the shops around town centre, Soweto, Kamwala, COMESA, Makeni and along the main roads. How many people are employed in these places compared to those in the white collar jobs? These people are all in the tax-free bracket. I am not suggesting high tax rates but as low as 2.5% to 5%.

Methods and ways of collecting these taxes can be found. The government could find a way that is all-inclusive in terms of taxing, but which is also equitable. Let the base be broadened. More tax will be collected and it will lessen and reduce the need to borrow locally.

The other ways of collection of these taxes can be done through the council when paying for the Business Permit and through PACRA when submitting annual returns. The government can determine the minimum number of employees per registered company (Where they cannot carry out the inspection), for example 2 to 5 per company. The council uses this method to collect Personal Levy at renewal of the licenses for small businesses.

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“...paying of taxes is a responsibility of every countryman and woman. It is not only for a few people.”

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**About the Author**

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Commodity prices’ crash hits Africa

By Kingsley Ighobor

Just three years ago, most of the world’s fastest-growing economies were in Africa, among them Angola, Chad, Ethiopia, Mozambique, Nigeria, Rwanda and Sierra Leone. A middle class was emerging, led by young, tech-savvy entrepreneurs who bought flashy cars, new houses and the latest smartphones.

Africa’s impressive average economic growth of around 5%, over the 14 years to 2014, saw economists toasting to the continent’s development potential. Buoyed primarily by high commodity prices and marginal exposure to global financial markets, the African economy as a whole was largely undisturbed by the 2009 global financial crisis. And steady flows of foreign direct investment assured a sustainable growth trajectory.

During that period, China, India, Brazil and European countries scrambled for a slice of Africa’s investment opportunities. The Brookings Institution, a Washington D.C.-based think tank, stated in 2013 that it was a mistake not to “take into account the current realities of the emerging continent” and “leverage the potential that Africa presents as a market for American goods.” Even The Economist, a usually restrained UK publication, splashed an “Africa Rising” title on its 11 December 2011 cover, which depicted a silhouette of a child flying a kite of an African map.

Fortune reversal

A precipitous crash in commodity prices is changing that upbeat African narrative. Already, Angola, Liberia, Mozambique, Nigeria, Sierra Leone, and Uganda — the African countries that depend most heavily on commodities—such as oil, gold, diamonds, bauxite, rutile, timber and copper—are in dire straits.

Economists also attribute this sudden reversal of fortune to other factors such as volatile global financial markets, weaknesses in global growth, particularly in China, Brazil and India, rising borrowing costs and severe infrastructure constraints (particularly of electricity supply) in many countries. But it is the plunge in commodity prices that has dealt the most devastating blow.

The price of oil plummeted from $100 a barrel in 2013 to $26 a barrel in February 2016, hovering around $50 a barrel in October. Without sufficient oil earnings, Africa’s oil producers, particularly Nigeria, Angola, Equatorial Guinea, Libya, Algeria and Egypt, face serious economic head winds.

For Nigeria and Angola, Africa’s largest producers, oil proceeds account for more than 90% of exports and over 70% of the national budget. With low per-barrel prices, economic growth in all of Africa’s oil-exporting countries fell from an average of 5.4% in 2014 to an average of 2.9% in 2016. Consider that Angola generated $60.2 billion from oil in 2014 and $33.4 billion in 2015, a significant drop in revenue that mirrors the situation in other countries.

Significant shock

Copper-producing countries have not fared any better as prices dropped to their lowest level since 1998. The World Bank reports that in February 2016, “copper prices declined by almost a third from their peak in February 2011 to $4,595 per tonne.”

Tsidi Tsikata, who led an International Monetary Fund (IMF) assessment mission to Zambia in March 2016 issued a bleak report: “The Zambian economy is under intense pressure”, calling for action to regain macroeconomic stability.
Shandong Iron and Steel Group. Mining is in December 2015 to China’s state-owned social losses, Africa Minerals sold the mines with corruption allegations and huge financial losses, but it fell to $45 per tonne in June 2016. The Sierra Leonean currency faced the same fate, declining to 6,500 leones to the dollar, from 5,000 leones a year ago.

Nigeria’s currency depreciation means it has lost the right to call itself Africa’s largest economy. After rebasing (a process of adopting new prices to measure a country’s GDP output) in 2014, the Nigerian economy was reported to be worth $488 billion. With the naira’s depreciation due to a decline in export earnings, the economy has shrunk to $296 billion, according to data released in August by the IMF.

Skyrocketing prices of goods and services without a commensurate increase in earnings could affect prices of food and stoke social unrest across Africa, experts fear.

**Austerity measures**

Commodity-dependent countries are faced with huge budget deficits, which is why Angola, Ghana and Zambia have received or are intensely negotiating for IMF bailout loans. Nigeria is overhauling its tax system to increase revenues, aggressively fighting corruption and recovering stolen money stashed in foreign banks, and at the same time intends to borrow money from China and local banks. The country wants to sell off some of its national assets, including energy and oil corporations.

Africa’s most populous nation will “seek a dramatic shift from spending on recurrent expenditures to spending on capital aspects of the budget,” said Udoma Udo Udoma, minister of budget and national planning. It officially declared a recession in August after two quarters of negative growth.

Last March, Sierra Leone announced a 30% cut in recurrent government expenditures, suspended financing for capital projects and the purchase of official furniture, eliminated travel allowances for government officials and began implementing a 50% cut in vehicle maintenance allowance, among other measures.

However, Herbert M’cleod, a leading Sierra Leonean economist, says, “It is bad policies and bad management that have brought us here,” and recommends using proceeds from mining to boost jobs creation and power supply and to construct roads, among other things.

The Ugandan government has scrapped gasoline and diesel subsidies, suspended construction of new roads, banned nonessential foreign travels and stopped the launch of a new airline. Zambia is cutting subsidies on electricity and agricultural inputs.

South Africa, whose largest exports are iron ore, coal, gold and other minerals, is also affected by the fall in commodity prices. While presenting the 2016 budget, finance minister Pravin Gordham said, “There is no doubt that we are in crisis,” before announcing an unprecedented spending cut of 25 billion rand (about $1.7 billion). Liberia, Gambia and other countries are also implementing various austerity measures.

The 2015 study, The Effect of Commodity Prices on African Economic Growth by Hangmile Nathalie Olga Tiawara of St. Cloud State University, United States, found that commodity price changes are linked to the pace of economic growth in commodity-dependent countries. In short, when prices fall, these economies falter.

**Good news for some countries**

The Economic Commission for Africa (ECA) has over the years been encouraging countries to industrialize by diversifying away from commodities and, at the least, to add value to their commodities. Former ECA executive secretary Carlos Lopes repeatedly spoke about the paradox of countries’ importing Toblerone chocolates from Switzerland when the continent produces 70% of the world’s cocoa, from which chocolates are made.

As oil-exporting countries deal with economic anxieties, low oil prices are good news for oil importers like Kenya, Rwanda and Tanzania. It means these countries spend less and can redirect excess funds into critically needed infrastructure such as roads, bridges and energy. Robust growth in these economies will continue, forecasts the World Bank.

Going forward, mitigating efforts will require good financial management and increases in revenue generation locally, experts say. “As countries adjust to a more challenging global environment, stronger efforts to increase domestic resource mobilization will be needed,” says Makhtar Diop, World Bank vice-president for Africa.

There may yet be a silver lining: experts expect the impact of current belt-tightening policies in Africa to kick in in the medium to long term, providing a cushion for national budgets.

Also, countries will learn the lessons of commodity price movements and will be more inclined to continue diversifying their economies. The World Bank says that agriculture and urbanization are important sectors for investments.

Finaly, when earnings are in an upswing, countries must save for the rainy day, experts recommend. – *Africa Renewal*
Cashless society: is physical money on its last legs?

Across the world, reserves of cash are dwindling. In some countries, mobile and contactless payments are more the norm than traditional legal tender. Oliver Griffin explores whether or not we are destined for a fully cashless future.

Cash feels like one of life’s constants; as though it’s always been there and always will be. The presence of physical money pervades every aspect of life. From birthday cards stuffed with notes to battles over Monopoly boards, cash holds significance for everyone. But its future is uncertain. In the same way the digital economy and developing technology have affected the nature of employment and industry, so cash has been affected by our growing reliance on electronic and technological payments.

A report published last year illustrates the decisive swing towards cashless payment. Produced by Capgemini and BNP Paribas, the World Payments Report 2016 reveals how habits around paying for goods and services are evolving across the world.

Looking at transactions in 2014, Capgemini found that total global non-cash transaction volumes grew by 8.9%, reaching a total of more than 387 billion transactions worldwide. Growth was driven by emerging markets in Asia, which saw a 31.5% increase in electronic transactions. For the first time ever, China overtook the UK to enter the top four economies with the most electronic payments. The report also found that many countries – particularly in Scandinavia – are adopting measures to actively discourage the use of cash. In Sweden, the poster-child for a cashless future, the cash-to-GDP ratio contracted 5.8% from 2013 to 2014. So what odds a cashless future?

“It’s got a lot of potential,” says David Lyford-Smith, technical manager for ICAEW’s IT Faculty, who also believes the growth of mobile technology will be the lead factor contributing to cashless economies. “The increasing prevalence of mobile phones is the main thing,” he explains. “Having the internet there as a method for recording the exchanges of value is important but, really, it’s about having the coms factor. If you look at the countries that have got the lowest amounts of cash transactions, it’s the Nordic countries and South Korea. They also have the highest rates of mobile phone ownership and of internet access.”

In these regions, the march towards a cashless society is relentless. In December 2016, South Korea’s Bank of Korea (BoK) announced plans to remove all metal money from circulation by 2020. Instead, the BoK is urging consumers to deposit coins on to T-Money cards, passes that can be used to pay for taxi and metro travel, as well as purchases in thousands of convenience stores.

But while South Korea’s central bank is leading the charge against cash, in Sweden this responsibility has fallen to private financial institutions. Six of the country’s largest banks came together to develop Swish, an ecommerce app that allows payments to be made in real
For most countries the smallest parts of their physical coinage cost more to produce than the value they represent...
Elections play an important role in the governance systems of many societies in today’s world. Many see elections as a means by which leaders obtain legitimacy to oversee the affairs of communities, nations, organisations, etcetera. Elections are based on the premise that in order to achieve the aspirations of a particular setting i.e. community, nation or organisation, there needs to be broad participation of all the interested parties through a selected number of their representatives. Some scholars have argued that development, particularly that of nations, is closely linked to how well governed they are by the leaders so elected through a democratic dispensation.

In this article, I will focus on an aspect of elections that is usually obscure to most of us—the business side. This is so because in one way or another, we are often involved in the process of elections that appeal the most to our preferences, that is to say, what promises this or that candidate is offering and so on and so forth.

**History and Development of Elections**

Elections across the globe can be traced back to the 17th Century with the practice mainly occurring in Europe and North America in the early stages. Literature suggests that elections have taken many forms since their early days. The practice in the early stages was significantly different from what we know in the present day and age. For example, in most societies only a certain group or class of influential people was allowed to take part in elections. This was done as a way of representing the interests of such groups or classes who were probably considered as the most important members of society with the rest being considered inconsequential.

In Africa, the practice of elections by indigenous people can be traced to the post-colonisation era of the 1950s. Many
Elections and Finance

It is often said that democracy at any level is not cheap and comes at a huge cost. It is worth noting that the cost of democracy is one that is ongoing with elected politicians having to provide policy direction for day-to-day governance of a country. One critical part of democracy concerns the election of representatives to hold public office for fixed periods of time. These elections take significant resources for them to take place and are usually financed by taxpayers’ money whether domestic or foreign.

What is interesting is that elections do not just come at a great cost to countries but also to the players and stakeholders such as political parties, candidates, civil society, non-governmental and other organisations. Every election seems to come with higher stakes as the spending tends to rise.

The expenditure on elections starts with a political party’s internal selection processes or primaries to screen and or elect candidates to national conventions. It then extends to, in some cases, an official campaign launch right up to the Election Day.

There is no doubt that the sources of financing for such undertakings by the political parties remain a very contentious issue. A number of schools of thought have been put forward regarding this issue as it has been seen by some to be something that has the potential to jeopardise the stability or indeed compromise the integrity of a party that gets elected into office. This is so because the financiers in most, if not all, instances would have vested interests and look to benefit by receiving preferential treatment in the conduct of their business affairs in the affected country.

The Business Side of Elections

The recently held 2016 tripartite elections in Zambia were estimated to cost about K947 million out of which the government had set aside about K727.9 million in the national budget for the same year. The difference in financing this important undertaking was financed by other partners. Estimates from the county’s just ended elections put expenditure by political parties at around $11 million, which translates into roughly K108.9 million (using a rate of K9.90 to $1). In addition to this expenditure, other organisations and institutions that are critical to the electoral process no doubt also spent considerable sums of money before, during and after the elections.

The majority of us as electorates concentrate on election campaigns with the hype that go with them. For some, the interest is in the various political party regalia and other goodies that come with such a period. A businessperson on the other hand looks at the more lucrative side of things as the electoral process brings many opportunities for them to make money. A case in point here is the printing of ballot papers for Zambia’s 2016 elections where the printing company contracted to do the work made in the region of $3 million or roughly K297.7 million. The country’s electoral body also spent money on other preparatory processes such as voter registration, sensitisation and education, pre and post-election publicity, among many other areas.

Political parties and other organisations were not left out of the spending as they had to put out their messages to the voters using various regalia, posters, fliers, billboards, radio and television adverts. There was also the hiring of facilities for their campaigns such as public address systems, podiums, helicopters and vehicles, among others. All these areas brought enormous opportunities for business and those that positioned themselves where able to make some money from the electoral process.

Conclusion

It is safe to say that elections are big business anywhere in the world, owing to the need to reach out to the electorate by those that seek public office. They are also big business because of the need to ensure that they are seen to be free, fair and transparent by all stakeholders involved. In Zambia’s case, they have become a multi-million kwacha affair that present many opportunities which any creative business person can tap into and make a profit.

Elections are said to be good for the democratic governance of any nation, but I would like to add that they are also good for business.

It is important as citizens that we begin positioning ourselves so we can participate in the electoral process in an economic way as well and not just in a civic manner.

It is important as citizens that we begin positioning ourselves so we can participate in the electoral process in an economic way as well and not just in a civic manner.

References

1. 2016 Budget Address By Hon. Alexander B. Chikwanda M.P, Minister of Finance
2. 2016 Pre-Election Citizens Report by Zambia Elections Information Centre (ZEIC)
3. www.britannica.com

About the Author

Chilewe Siakasiya is a member of the Zambia Institute of Chartered Accountants (ZICA) as well as a Member of the Zambia Institute of Banking and Financial Services (ZIBFS). For comments and feedback you can Email: siakasiya@gmail.com.

April – June 2017 | The Accountant 33
IN THE last three issues of The Accountant magazine, we featured Mrs Alice Tembo, Audit Partner at Deloitte & Touche, to share practical guidance on preparation required from accountants and practitioners in implementing IFRS 15 Revenue from Contracts with Customers.

And as promised in the last article, Bruce Mwewa, Technical and Standards Manager, had an up-close analysis of the new Leases standard with Mr Kelvin Chungu to share his views and perspectives on the new accounting requirements for lease recognition under IFRS 16 Leases. Mr Chungu is an Associate Director at EY Zambia with over 19 years of extensive audit experience as a professional accountant. In this interview, Mr Chungu gives his insights on the core principles of the new lease standard, its potential implementation issues and transition steps as well as guidance that IFRS 16 introduces.

1. What is the background of the new Lease Standard? Why is it important to most companies and what do they need to know?

Firstly Bruce, I am thrilled to be part of the ZICA technical team series aimed at introducing the new IFRS standards to the students, users, preparers and practitioners and thank you Bruce for calling on me to participate and share my views and overview of the IFRS 16 Standard.

IFRS 16 has been long in the making. It was originally added to the International Accounting Standards Board (IASB) agenda in July 2006 and then in March 2009, the IASB and the Financial Accounting Standard Board (FASB) – the United States national standard setters (together herein referred to as the “Boards”) commenced a joint project to improve the financial reporting of the lease activities under IFRS and US GAAP. The project arose from criticism that the previous accounting model failed to meet the needs of users in terms of comparability, transparency of information about lease obligations, etc. As such, the leases standard continues with the IASBs focus to improve transparency, enhance comparability of financial statements and heighten disclosure requirements in the development of the new standards to ensure that the needs of the various users are met. IFRS 16 was being developed as the IFRS 15, Revenue from Contracts with Customers was being developed.

IFRS 16 Leases is a new joint standard with FASB on Lease recognition, published by the IASB. It replaces the existing Leases recognition guidance under US GAAP and IFRSs, although the IASB and FASB final adopted versions have some minor variations. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transaction involving the legal Form of a Lease. The new standard provides a single accounting model requiring lessees to recognise assets and liabilities for all leases except for those leases that are 12 months or less or the leased asset has low value.

The previous accounting model for leases at its core required lessees and lessors to classify their leases as either finance or operating leases and to account for those two types of the leases differently. This was for the most part the major criticism of this standard because, while it required lessees to recognise assets and liabilities arising from finance leases, it did not require lessees to recognise assets and liabilities arising from operating leases, particularly for multi-year leases when the economic substance for some of the lease types was the same. These accounting models while reducing comparability of financial statements to users of financial statements, also provided a causal incentive to structure transactions to achieve a particular accounting outcome.

There were also criticisms that the previous standard did not provide sufficient information around risk, particularly that it was difficult for the users of the financial statements to understand the lessor’s exposure to credit and asset risk arising from contractual arrangements.

IFRS 16 Leases was issued in January 2016 to address these criticisms and applies to annual reporting periods beginning on or after 1 January 2019. However, earlier application is allowed to the extent that IFRS 15 Revenue from Contracts with Customers has also been applied.

So what can we expect from IFRS 16 Leases as users of financial statements or as preparers? IFRS 16 Leases will affect every lessee. However, it can be expected to have particular substantial impact for those entities that have historically kept a large proportion of their financing off balance sheet because their contractual leases were deemed operating leases. For Lessors, there will be little change in the amount of Leases recognised as the new standard adopts much of the IAS 17 Leases provision at it relates to leases.

It is important to understand that assessing the impact of this standard or an entity will require a thorough knowledge of the new standard and an analysis of its application to a particular entity’s lease transactions. There will be judgment to be made for certain types of leases with respect to the definition of leases. There will also be other business consideration such as whether the systems or processes need to be changed or whether key performance metrics for decision-making, compensation and/or debt covenant will need review.

2. With an implementation date of 2019, is it not too early to know about it?

Almost all companies use rentals or lease arrangements to obtain the right to use assets and will therefore be affected by the new standard, e.g. a lot of companies rent office space for their businesses or divisions. As such, the earlier entities start to appreciate what impact the new standard may have on their organisation, the better equipped they will be to resolve any possible issues and reduce implementation costs and compliance risk. The evaluation and consideration of the new standard could take a lot of time depending on the size of an organisation and lease arrangements.

Let’s consider some of the areas that might be affected, which also supports the view of organisations starting to prepare early.

a) Key performance measures & metrics - Off balance sheet accounting of leases as was the case with operating leases will be eliminated, which will in turn affect key performance measures & metrics such as:

- Covenants ratio – An entity will need to prepare early to renegotiate contracts in cases of covenant ratios when gearing might be impacted as a result of the recognition of lease liabilities triggering breaches of loan covenants.
Regulatory ratio – Companies in the regulated space monitor certain key ratios, including regulatory capital and the new lease standard could lead to an increase in the recognition of risk-weighted assets. Company management may need to understand and engage stakeholders particularly if the monitored ratio might impact the compliance requirement.

Other performance Indicators – There may be need to re-align performace metrics in cases of employee performance baselines such as remuneration schemes and bonuses or if as a consequence there is need to communicate to other stakeholders to manage their expectations.

b) IT Systems, Processes and Controls - There was a general less onerous recordkeeping imperative for operating leases. However, due to the new lease accounting requirements, lease calculations will be required and there may be need to design new IT systems and related controls to assist with lease administration and tracking depending on the amounts involved.

c) Business Model - We live in the real world and regulation does change behaviour. As such there is potential that lessors’ business models and product offering might be changed to respond to Lessee’s changing product requirements. Lessees might be reassessing their needs when negotiating lease terms and payments.

d) Information Needs – The Lessee could require more information around their leases to respond to the new standards increased disclosure requirements.

e) Skills Development – A number of entities that are likely to be impacted do not have the in-house skills necessary to calculate and apply the provisions of this new standard. It is therefore necessary for this lead-time to develop the necessary resources for the successful implementation of the standard.

Finally, as this standard is both retrospectively applied (although there is the practical expedient relief) and includes extensive disclosure requirements, the impact on some industries could be potentially significant, and preparation might be time consuming.

All of the above point to the need for early preparedness as the magnitude of the change for some organisation might present considerable challenge to implement.

3. What impact will the new standard have on the timing of lease recognition and profit, IT systems and processes?

The new standard will impact the lessee in a number of areas such as the increased need for data collection and data management, changing tax consideration on the leases, changes in financial statements and metrics, potential evolution of lease procurements, updating of accounting policies and manual introduction or upgrading of IT systems, processes and control. With respect to the question raised, my view is as follows:

a) Timing of lease recognition and profit - There will be impact on earnings for a number of entities because of the way the lease interest expense amounts is calculated. The common impact will be the front loading of lease expenses recognised in the income statement and increasing gearing, which could also impact covenants. The front loading of lease expenses would have the effect for some lessees to decrease earnings and equity immediately following the inception of an operating lease. For example, instead of a rent expense for a company leasing office space recognised on a straight line basis, the new standard will require the recognition of the right of use asset measured at the amount of the lease liability, depreciation and interest expenses (recognised in the income statement consistent with the way finances leases are accounted for).

b) IT systems and processes – With respect to IT systems and processes, the administration of operating leases is now very onerous compared to the previous regime and therefore the level of investment in lease related IT system will likely be heightened for organisations with a large lease outlay. For other entities, the impact may be relatively minor, while others may see a shift and changes to IT systems, business models, company practice and new internal controls could be required.

As an example, because of the way the tax system works, there may be need to separately monitor the lease arrangement for tax purposes as well as for statutory reporting requirements because the tax accounting rules for leasing might no longer be based on the accounting principles.

Lessees might also need to implement contract management modules for the lease data to assist in the performance of the lease calculations as required by the new standards. This will result in increased IT system requirements to allow for automation efficiency as well as implementation of controls necessary for proper administration of the lease arrangements.

End of Part One of the article

This technical update covers publication issued locally and by international standards setting bodies.

Legal and Regulatory changes

1. Banking and Financial Services Act, 2017

In April 2017, Parliament enacted the Banking and Financial Services Act no. 7 of 2017. The purpose of the Act is, among other things, to provide for:

• a licensing system for the conduct of banking or financial business and provision of financial services;
• the incorporation of standards, principles and concepts of corporate governance in institutional systems and structures of banks and financial institutions;
• sound business practices and consumer protection mechanisms;
• the regulation and supervision of banking and financial services;
• repeal and replace the Banking and Financial Services Act, 1994.

Among other changes, the new Act empowers the Bank of Zambia to prescribe such other conditions that external auditors of financial service providers must meet besides being a member of the Zambia Institute of Chartered Accountants. The Bank of Zambia is further mandated to prescribe the term of appointment of an auditor and an engagement partner. The Bank may also cause the dismissal of an external auditor to a financial service provider for failure to perform duties and responsibilities, in accordance with this Act, or auditing standards approved by the Zambia Institute of Chartered Accountants.

2. The Zambia Institute of Chartered Accountants (ZICA) proposes to amend and review the Accountants Act 2008

ZICA has engaged consultants to carry out a comprehensive review of the Accountants Act of 2008. The objectives of this assignment are to-

• review the Accountants Act and other pieces of business legislation such as legislation on insurance, banking and finance, securities, insolvency, company law, etc; • assess and recommend the extent to which the powers of the Institute under the Accountants Act can cross refer other sector regulators;
• explore and recommend how ZICA could be bestowed with prosecutorial functions or powers to prosecute members of the public who hold out to be accountants or practitioners;
• explore and recommend how ZICA could be mandated to be an Examination Board carrying out or conducting examinations for purpose of qualifications;
• review and recommend possible amendment under Part VII Section 77 subsection (7) of the Accountants Act, which provides for disciplinary action for members who become mentally unsound;
• Consider possible consolidation of the draft amendment bills for:
  • the establishment of Standards and Regulatory Committee (Board);
  • the establishment of Education and Examinations Council (Board); and
• explore and assess the adequacy of the
powers and functions of the Institute Secretary in the Accountants Act 2008; • conduct literature review on laws, comparative laws and regulations on regional, other foreign laws in the commonwealth and within the context of international best practices of the accountancy profession; • make concrete recommendations to harmonise the Accountants Act with other relevant Acts of Parliament;

Financial Reporting

3. IFRS Foundation and World Bank collaborate to support developing economies in their use of reporting standards

The IFRS Foundation has announced a new cooperation agreement with the World Bank to provide greater support to developing economies in their use of IFRS Standards.

The agreement, in the form of a Memorandum of Understanding (MoU), reflects the organisations’ view that the transparency, accountability and efficiency provided by adoption of IFRS Standards play an essential role in attracting inward investment, boosting economic development and ultimately alleviating poverty.

As the global accounting standard-setter, the IFRS Foundation has extensive knowledge and expertise about IFRS Standards and the IFRS for SMEs Standard. The World Bank has for many years worked with donor organisations to encourage use of IFRS Standards by developing economies as part of its work to support creation of open and transparent financial systems.

Combining the IFRS Foundation’s strong technical expertise with the extensive network and significant international and regional presence of the World Bank presents an opportunity for both organisations to advance their respective public interest missions. The MoU describes a series of priority areas the organisations will jointly focus on over the next few years, including:

a) the development of educational programmes (both online and offline) to help build capacity and understanding of IFRS Standards and the IFRS for SMEs Standard, and materials to support their implementation;

b) the packaging of such programmes to provide an ‘off-the-shelf’ solution for development projects within individual countries or regions; and

c) steps to help developing economies with less advanced standard-setting capabilities to play a more active role in the work of the IFRS Foundation.

4. IASB proposes minor amendments to IFRS 9 to aid implementation

The International Accounting Standards Board (IASB) has proposed minor amendments to IFRS 9. Financial Instruments, to enable companies to measure certain prepayable financial assets at amortised cost with so-called negative compensation.

The amendments are in response to comments received by the IFRS Interpretations Committee and are intended to improve the usefulness of information about these financial assets that the new Standard requires. The comment deadline was 24 May 2017.

5. IPSASB consultation on Heritage Reporting

The International Public Sector Accounting Standards Board (IPSASB) has released a Consultation Paper for comment on Financial Reporting for Heritage in the Public Sector. The paper describes heritage items as those that are intended to be held indefinitely and preserved for the benefit of present and future generations because of their rarity and/or significance. The Consultation Paper proposes that:

• the special characteristics of heritage items do not prevent them from being assets for the purposes of financial reporting;

• heritage items should be recognised in the statement of financial position if they meet the recognition criteria in the Conceptual Framework; and

• in many cases, it will be possible to assign a monetary value to heritage assets.

The paper further discusses:

• initial and subsequent measurement of heritage assets;

• whether heritage preservation responsibilities could involve present obligations for entities, which should be recognised as liabilities in the financial statements; and

• presentation of information for heritage in General Purpose Financial Statements.

Auditing and Assurance

IAASB has proposed modernisation of financial estimate audits in support of Audit Quality

The International Auditing and Assurance Standards Board (IAASB) has proposed significant changes on auditors’ evaluation of accounting estimates and related disclosures. The proposed changes will require auditors to sharpen their focus on risks of material misstatements arising from accounting estimates and to address those risks with more rigorous audit requirements.

The proposed standard continues the evolution of audit to meet the challenges of an increasingly complex global economy. It was developed following extensive consultation with regulators and practitioners, including those who audit small, medium and large businesses. It is likely to bring significant changes to many audits, particularly audits of financial institutions, such as banks and insurers.

The proposed standard:

• enhances requirements for risk assessment procedures to include specific factors related to accounting estimates, namely complexity, judgment and estimation uncertainty;

• sets a more detailed expectation for the auditor’s response to identified risks, including augmenting the auditor’s application of professional skepticism; and

• is scalable regardless of the size or sector of the business or audit firm.

The International Standard on Auditing 540 (Revised), Auditing Accounting Estimates and Related Disclosures, is open for public comment until 1st August 2017.

Ethics

1. IESBA enhances the International Code Of Ethics; Proposes New Guidance For Professional Skepticism And Professional Judgment

The International Ethics Standards Board for Accountants (IESBA) has released the Exposure Draft on Proposed Application Material Relating to Professional Skepticism and Professional Judgment. The proposed guidance for the first time links key concepts in the IESBA Code of Ethics for Professional Accountants and clarifies their application, namely:

• How compliance with the fundamental principles in the Code supports professional skepticism by auditors and assurance practitioners for audit, review, and other assurance engagements; and

• The importance of professional accountants obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgment in applying the conceptual framework underpinning the Code.

Compliance with the fundamental principles and professional skepticism are essential obligations that enable auditors and assurance practitioners to meet the public’s expectations about exercising professional skepticism.

The proposed guidance addressing the fundamental principles and professional skepticism responds to a recommendation from the tripartite Professional Skepticism Working Group established by the IESBA, the International Auditing and Assurance Standards Board (IAASB), and the International Accounting Education Standards Board (IAESB).

In developing this guidance, the IESBA emphasises the importance of professional accountants to not simply accept information at face value when exercising professional judgment. Comments due by 25th July 2017.

2. IESBA embarks on Strategic Review, Seeks Input From Stakeholders

The IESBA has released an online survey seeking comments, views, and insights from all stakeholders to help shape its future strategic direction.

The survey seeks early input into the key issues the IESBA should address that might impact its Code of Ethics for Professional Accountants. This is a first step in the development of the IESBA’s strategy and work plan beyond 2018.

Responses to the survey will inform the IESBA’s development of a formal consultation paper on its Strategy and Work Plan beyond 2018. The consultation paper is expected to be issued in 2018. The survey closes on 18th July, 2017.
THE Zambia Institute of Chartered Accountants admits members into four categories: Fellows, Associates, Licentiates and Technicians. Fellows and Associates are Chartered Accountants (CAs) while Graduates, Licentiates and Technicians are Affiliate members of the Institute. The Membership Committee has admitted the following members:

**2017 ADMISSIONS**

**ASSOCIATE: JANUARY – MARCH**

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**THE Zambia Institute of Chartered Accountants**

The Accountant | April – June 2017

The Institute wishes to welcome the new members and is looking forward to their positive contribution towards the development of the Institute in particular and the Accountancy profession in general.

**Membership and Practice Fees for 2017**

We wish to inform members that our membership and practice fees are very competitive in the region. Find below the fees for 2017.

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**Membership Certificate Entry**

Audit                                      | 2,200.00  |
Non-Audit                                   | 2,200.00  |
Practicing Certificate Subscriptions         |            |
Audit                                      | 6,990.00  |
Non-Audit                                   | 6,120.00  |
Registration of Firms                        |            |
Audit                                      | 4,500.00  |
Non-Audit                                   | 4,500.00  |
Competition Practice Examinations            |            |
Full Audit                                   | 2,785.00  |
Non-Audit                                   | 2,785.00  |

**FEBRUARY ASSOCIATES**

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**MARCH ASSOCIATES**

<table>
<thead>
<tr>
<th>SN.</th>
<th>NAME MEMB. NO.</th>
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<tbody>
<tr>
<td>1</td>
<td>Edward Chilutya A008886</td>
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<td>Greaser Sibwela A008883</td>
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<td>Sibajene H. Sikapoto A008400</td>
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<td>Tronie R. Nyirenda A005619</td>
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<td>Davies Chabula A008083</td>
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<td>Felistus Tembo A001832</td>
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<td>7</td>
<td>Mwansa James Chisenga A006408</td>
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**2017 ADMISSIONS**

**FELLOWS: JANUARY – MARCH**

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<th>SN.</th>
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<tr>
<td>1</td>
<td>Justin Mwelwa F010117</td>
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<td>Bright C. Himuyamba F003167</td>
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<td>Charles Kaluba F001281</td>
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<td>Martin Kabwe F002627</td>
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<td>Charter Manyepe F005405</td>
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<td>Trina M. M. Mvula F003392</td>
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<td>William Ndlovu F004920</td>
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<td>Makani Matyola Chilinga F006628</td>
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<td>Marjorie Kateule F006230</td>
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<td>Ndolanga N. C. F006233</td>
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<td>21</td>
<td>Stanslas Zulu F006234</td>
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**FEBRUARY FELLOWS**

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<tr>
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<td>Chinyimba A. Konie F005048</td>
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<td>Ben Mulenga F005907</td>
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<td>Andrew Mulenga F003759</td>
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<td>Francis Phiri F003654</td>
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<td>Rhoda Manda F002772</td>
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<td>Likukela Mulumemui F006288</td>
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<td>Temba Nondo F006291</td>
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<td>13</td>
<td>Salome Banda F006293</td>
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<td>14</td>
<td>Cecilia M. K. Nyalugwe F004891</td>
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<td>William H. B. Kahuwa F006294</td>
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<td>Chileshe Malama F006295</td>
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<td>Todd Muleya F006296</td>
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<td>Valerine Chooka F006298</td>
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<td>19</td>
<td>Melissa Chibesa Maiseke F006299</td>
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<td>Esnart Lungu F006300</td>
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<td>Miyoba Michelu Bbuku F005344</td>
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<tr>
<td>22</td>
<td>Emmanuel M. Mwananchingwala F006363</td>
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IMPORTANT DATES

Competence Practice Examinations

Deadlines

Application Forms for:
June Session 30th May

Examinations Fees for:
June Session

Competence Examination Dates for 2017
June Session 9th June

CHANGE OF ADDRESS

Please notify the secretariat of any change of address/position by filling in this coupon. Return to:

The Secretary and Chief Executive Officer
Zambia Institute of Chartered Accountants
2374/a Thabo Mbeki Road
P. O. Box 32005
Lusaka, Zambia
Tel. 0211 374 550 - 59
Fax. 0211 255 355
Email: zica.admin@zica.co.zm
Website: www.zica.co.zm

2nd Floor, Mukuba Pension House,
Room 333, President Avenue,
P. O. Box 23593, Kitwe, Zambia.
Tell: +260 212-222002.
Email: kitwe@zica.co.zm

Name: ____________________________________________
ZiCA Registration #: _______________________________
Membership Grade/Student Programme: _______________
New Address: _______________________________________
Employers Name: _________________________________
Employers Address: ________________________________
Position: __________________________________________
Tel: ______________________________________________
Fax: _______________ Mobile: _______________________
Preferred address for mail: ___________________________
Email: ____________________________________________
Signature: __________________ Date: ________________

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We urge anyone and all members of ZiCA to contribute articles of their choice but relating to issues of management, developmental, auditing, accounting, environment, money laundering, stock exchange, marketing, advertising, etc, to The Accountant.

An amount of K650 will be paid for articles written with 1,000 words and above, K400 for 800 to 999 words.

I WOULD LIKE TO TAKE OUT A SUBSCRIPTION

Applicable to non-ZiCA members

Simply fill in your name and address below and send this form with K60.00 for 4 issues to:

The Secretary and Chief Executive Officer
Zambia Institute of Chartered Accountants
2374/a Thabo Mbeki Road
P. O. Box 32005
Lusaka, Zambia
Tel. 0211 374 550 - 59
Fax. 0211 255 355
Email: zica.admin@zica.co.zm
Website: www.zica.co.zm

Bank Certified cheques should be made payable to ZiCA

Name: ____________________________________________
Payment enclosed: ________________________________
Number of issues ordered: __________________________
Address: __________________________________________

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Comply with the law

It is law that all individuals or firms engaged to carry any accountancy work on your behalf in Zambia must be registered under the Accounts Act of 2008 and regulated by ZiCA.

Take note that any accountant who has not renewed their membership subscription for 2017 is not eligible to do any accountancy work.

For any clarifications, contact:
The Membership Services Manager
Accountants Park, Plot 2374, Thabo Mbeki Road, Lusaka
Email: membership@zica.co.zm, Phone 0211 374550-9,
Fax: 0211 255355 or visit our website at
www.zica.co.zm