



STATEMENT ISSUED BY THE ZICA PRESIDENT, MR JASON KAZILIMANI JR. IN THE ZICA BOARDROOM ON 13TH JUNE 2019 AT 09:00HRS

ZICA PRESIDENT'S 2019 SECOND QUARTER MEDIA BRIEF ON VARIOUS FINANCIAL AND ECONOMIC MATTERS

13th JUNE 2019

Good Morning Ladies and Gentlemen,

Welcome to the ZICA 2019 second quarter media briefing to discuss matters that affect the accountancy profession and the nation at large. In line with the Accountants Act of 2008, apart from our mandate of regulating the education and practice of the accountancy profession in Zambia, we have a statutory mandate to advise the Government of the Republic of Zambia on matters relating to the economic development of the Country. In this media briefing, we will reflect on developments related to the following key matters:

1. The 2019 Sales Tax Amendment Bill;
2. Auditor Rotation Rules: Clarification on Companies Act No.10 of 2017;
3. ZICA Standard on Non-Compliance with Laws and Regulations (NOCLAR);
4. ZICA Reporting Requirements on Persons Holding Out Directives of 2019;
5. Enactment of the Accountants Bill 2019; and
6. Highlights on CA Zambia and ZICA Diploma Qualifications.

(i) 2019 SALES TAX AMENDMENT BILL

Ladies and Gentlemen, as you may be aware the Minister of Finance in her 2019 Budget Address indicated the Government's intention to introduce Sales Tax. Subsequent to that address, the Government issued the 2019 Sales Tax Amendment Bill (The Sale Tax Bill) which is intended to repeal and replace the Value Added Tax Act of 1995. The Sales Tax Bill introduces a sales tax on the supply of goods in the Republic on manufacturers, producers, distributors, wholesalers, & retailers and on the importers of goods into the Republic of Zambia. It also introduces a sales tax on the provision of services.

The Institute took time to analyze the Bill and shared its position on the possible impacts of the proposed Sales Tax Bill with the Government through submissions made to the Zambia Revenue Authority Technical Committee on Sales Tax and to the Joint Parliamentary Committee on Budget and Economic Affairs, Trade and Labour Matters of the Parliament of the Republic of Zambia. Additionally, members of the Institute had the privilege to engage with the Minister of Finance on the Sales Tax Bill at the Institute's 34th Annual General Meeting on 25th May 2019 in Livingstone. We wish to commend the Government through the Ministry of Finance for welcoming submissions from ZICA, other key stakeholders and the general public through various fora including the provincial road shows which the Minister of Finance, her team and ZRA undertook to sensitize the business community and public on the

Bill and to also obtain comments and concerns from the public. It is our expectation as an Institute that the Government will take into consideration the various submissions given by various stakeholders on the Bill so as to design a Sales Tax regime, which will not result in an adverse effect on employment rates, the cost of doing business and the economy at large.

The Institute is cognisant of the fact that a well-designed Sales Tax could potentially spur local production and also lead to higher revenue for the fiscus. However, as an Institute we are also concerned that a poorly designed Sale Tax regime could present significant downside effects on the economy. Key issues which the Institute hopes will be resolved are as follows:

1. **Minimizing the cascading effect:** In its current form, the 2019 Sales Tax Amendment Bill could result in the escalation of the price of goods and services through the cascading effect of sales tax along the value chains of goods and services. This is mainly due to the lack of the refund or tax credit mechanism in Sales Tax which potentially could result in the increase of the price of goods and services at a rate of 9% (or whatever rate will be prescribed in the finalized legislation) at each transaction point of goods and services. Businesses could attempt to counter this by altering their supply chains through eliminating distributors which could result in job losses and loss of amounts obtained from other tax revenue types such as PAYE.

We would urge Government to ensure that the sales tax exemption schedules and mechanisms are comprehensive based on submissions from various stakeholders. We also suggest that a single rate of sales tax on both imports and locally sourced goods & services be implemented. Should a single rate not be possible, we would propose that a rate not exceeding 5% be set for locally sourced goods and services to minimize cascading effect of sales tax;

2. **Insufficient Implementation Time:** The proposed effective date for Sales Tax of 1st July 2019, or any other date within this calendar year, does not provide sufficient time for firms and institutions to re-configure their systems for Sales Tax. We propose that the Government considers changing the effective implementation date to 1st January 2020, to enable any required systems changes to be made as well as allow a period for better budgeting and forecasting, with known Sales Tax rates.

ZICA has provided a comprehensive paper on the 2019 Sales Tax Amendment Bill, with key recommendations, to Government which addresses other issues which need to be considered in coming up with the final Sales Tax regime for Zambia. We urge other stakeholders to

similarly engage Government and submit their comments on this important tax proposal. ZICA will continue to also hold Tax Update Workshops which will cover Sales Tax as a way of providing the general public with expert analysis from tax specialists.

Call for submissions for the 2020 National Budget

We also wish to remind the business community and the public in general on the need for them to respond to Governments call for tax and non-tax proposals for the 2020 budget and the 2020-2021 medium term budget framework.

(ii) AUDITOR ROTATION RULES: CLARIFICATION ON COMPANIES ACT NO.10 OF 2017

Ladies and gentlemen, on behalf of the Standards & Regulatory Board of ZICA, following numerous queries the Institute has received regarding the tenure of office for external auditors as well as the maximum period that external auditors can be retained by the client, I wish to provide direction on this matter in compliance with the guidance of the International Federation of Accountants (IFAC).

According to the Code of Ethics for professional accountants, there is no limit to the number of years that a client can retain an external auditor. However, *“In respect of an audit of a public interest entity, an individual [auditor] shall not be a key audit partner for more than seven years. After such time, the individual audit engagement partner shall not be a member of the engagement team or be a key audit partner for the client for a further two years. During that period, the individual shall not participate in the audit of the entity, provide quality control for the engagement, consult with the engagement team or the client regarding technical or industry specific issues, transactions or events or otherwise directly influence the outcome of the engagement. “However, note must be taken that specific industry laws override the IFAC prescription”.*

In light of the aforementioned, the Institute wishes to indicate that, the Companies Act No.10 of 2017 under section 257 (3) provides that:

“An auditor shall only be reappointed continuously for a period not exceeding a total of six years.”

Section 257 (3) of the Companies Act No.10 of 2017 overrides the pronouncement of IFAC on the audit engagement partner rotation in relation to the continuous period an audit engagement partner can be reappointed as auditor of a company established under the Companies Act of the Laws of Zambia. The Companies Act No.10 of 2017, enacted in June 2018, repealed and replaced the old Companies Act which did not have a limit on the continuous period an auditor could be reappointed as auditor of a Company. The Institute wishes to guide that the commencement date of the 6-year rotation rule for auditors under section 257 (3) of the Companies Act No.10 of 2017 was 15th June 2018, the period when the new Companies Act was enacted. It had no retrospective effect. **For the avoidance of doubt, and in line with guidance issued to the Institute by the Patents and Companies Registration Agency (PACRA) dated 16th April 2019, the auditor referred to under section 257 (3) is the individual audit engagement partner and not the audit firm.**

The Standards & Regulatory Board of the Institute wishes to guide that the 6-year rotation rule for auditors provided for under section 257 (3) of the Companies Act No.10 of 2017 is subject to the provisions of the constitution, and the Banking and Financial Services Act, 2017, and the Securities Act, 2016 as provided for under Section 5 of the Companies Act No.10 of 2017 which reads as follows:

“Subject to the Constitution, and the Banking and Financial Services Act, 2017, and the Securities Act, 2016, where there is any inconsistency between the provisions of this Act and the provisions of any other written law, the provisions of this Act shall prevail to the extent of the inconsistency.”

This, therefore, means that auditors who audit financial institutions under the supervisory ambit of the Bank of Zambia (BOZ) and auditors who audit Companies listed or quoted on the Securities and Exchange in Zambia shall be expected to observe auditor rotation rules issued by BOZ and the Securities Exchange Commission (SEC), respectively, when dealing with audits of Companies under the supervisory ambit of the BOZ or SEC.

The Standards & Regulatory Board of the Institute also wishes to guide that the cooling off period for auditors shall be in line with IFAC rules under the Code of Ethics for professional accountants, which currently stipulates this period to be at least two (2) years.

Ladies and Gentlemen, on behalf of the Standards & Regulatory Board of the Institute, we wish to appeal to any institutions which may wish to seek further guidance on this issue to contact the ZICA Chief Executive & Secretary. We trust that this guidance will inform the decisions of clients of auditors concerning the applicable rules on auditor rotation under the Companies Act No 10 of 2017 or other Acts which deal with other corporate structures in Zambia.

(iii) ZICA STANDARD ON NON-COMPLIANCE WITH LAWS AND REGULATIONS (NOCLAR)

Fellow country men and women, we wish to bring to your attention that the Zambia Institute of Chartered Accountants (ZICA) in 2017 adopted a standard issued by IFAC called Non-Compliance with Laws and Regulations (NOCLAR). This standard sets out the responsibilities of all ZICA members when encountering matters of Non-Compliance with Laws and Regulations (NOCLAR) in the course of their work and guides all professional accountants in Zambia.

NOCLAR is any act of omission or commission, intentional or unintentional, committed by a client or employer, including by those charged with governance, by management or by other individuals working for or under the direction of a client or employer, which is contrary to the prevailing laws or regulations of Zambia and other jurisdictions. The Standard on NOCLAR applies to the issues outlined below, among others:

1. Corruption and Bribery offences;
2. Money laundering and terrorist financing offences resulting from acquiring, using, possessing, arranging or concealing proceeds of crime or criminally obtained property;
3. Key requirements of reporting entities such as accountants in public practice and in business under the Financial Intelligence Centre Act No. 46 of 2010, as amended in 2016, in relation to compliance with Anti Money Laundering and Combating Terrorism Financing (AML/CTF) regulations;
4. Fraud or theft, which may involve falsification or alteration of accounting records or other documents, misappropriation of assets, suppression or omission of the effects of transactions from documents and other records, recording of transactions without substance, intentional misapplication of accounting policies or willful misrepresentations of transactions or of the entity's state of affairs;

5. Compliance with the Companies Act No 10 of 2017;
6. Compliance with rules and regulations under the Accountants Act of 2008 including disclosure of persons holding out as accountants;

Ladies and Gentlemen, it is noteworthy that the Standard provides a clear pathway for disclosure of NOCLAR to appropriate public authorities under the applicable laws and regulations. In this regard, ZICA members are permitted to set aside the duty of confidentiality in order to disclose NOCLAR to appropriate public authorities in certain circumstances. Where there is a legal or regulatory requirement to disclose the matter, the member has a duty to report to the appropriate authority.

Ladies and gentlemen, the Institute has reviewed the Money Laundering & Terrorist Financing Trends Reports 2018 released by the Financial Intelligence Centre (FIC) on Friday, 31st May 2019 and has engaged the FIC for additional information on any ZICA members who could have been the subject of any case reported in that report. In line with the Accountants Act and the IFAC code of ethics for professional accountants, ZICA takes a zero tolerance approach to corruption, money laundering and falsification of financial records by any member of the Institute. The Institute will not hesitate to subject any member who is found to have committed financial crimes to the disciplinary process under ZICA, should a prima facie case be established against them by the appropriate Law Enforcement Agencies. We also urge the appropriate Law Enforcement Agencies to act on the dossiers that have been submitted to them by the FIC.

May I take this opportunity to urge all ZICA members to carry out their professional duties with the utmost care and in the public interest. In acting in the public interest ZICA members are urged to observe and comply with the ethical requirements of the code of ethics and also the Standard on NOCLAR which require them to disclose to relevant authorities any illegal activities they may become aware of while discharging their duties to clients or employers.

(iv) ZICA REPORTING REQUIREMENTS ON PERSONS HOLDING OUT DIRECTIVES OF 2019

Ladies and gentlemen, the standard on NOCLAR provides a clear pathway for auditors and other professional accountants to disclose potential non-compliance situations to appropriate public authorities, without being constrained by the ethical duty of confidentiality. It also places renewed emphasis on the role of senior-level accountants in business in promoting a culture of

compliance with laws and regulations and prevention of non-compliance within their organizations.

In order to protect the public from unauthorized, unregistered and unlicensed persons who hold out as Accountants, the Institute under powers granted to it by Section 86 of the Accountants Act No. 13 of 2008 hereby wishes to inform the business community and the public in general that with effect from June 2019, all ZICA members in public practice shall be required to submit monthly returns to ZICA in relation to their clients which will indicate the ZICA membership status of all accountants, accounting staff and persons holding accounting qualifications in the client organizations. Specifically, the ZICA Members in public practice shall now be required to list in the monthly returns, to be submitted to ZICA, all persons who are holding out as accountants as described in section 18 of the Accountants Act No. 13 of 2008.

Ladies and Gentlemen, holding out as an Accountant is a serious offence as indicated under section 18 of the Accountants Act No. 13 of 2008. This section as indicated below stipulates the illegality of holding out as an accountant and also stipulates the penalties applicable to this offence on any person found to have contravened section 18 of the Accountants Act No. 13 of 2008:

(1) A person shall not, unless the person is registered as chartered accountant under this Act—

(a) practice as, be employed as, offer services as, or hold out to be, a chartered accountant;

(b) adopt, use or exhibit the terms "chartered accountant", "registered auditor", "public accountant", "public auditor", "public tax consultant", "public tax adviser" or any other term of like description;
or

(c) do anything likely to lead persons to infer that the person is a registered chartered accountant.

(2) A person shall not, unless the person is registered as Member with the Institute—

(a) practice as, be employed as, offer services as, or hold out to be, a Member, tax consultant or tax advisor;

(b) adopt, use or exhibit the terms "Member" "public tax consultant", "public tax advisor", "receiver", "liquidator" or any other term of like description; or

(c) do anything likely to lead persons to infer that the person is a registered Member.”

(4) A person, firm, company or government agency shall not employ or engage an Affiliate, Fellow, Technician, Licentiate, Associate or any person who is not a member of the Institute or registered under this Act as an accountant.

(5) A person who contravenes, subsection (1), (2) or (4) commits an offence and is liable, upon conviction, to a fine not exceeding five hundred thousand penalty units or to imprisonment for a term not exceeding five years, or to both.

(6) Where an offence under this section, is committed by a body corporate, every director, or senior officer of the body corporate shall be liable, upon conviction, as if the director or senior officer had personally committed the offence, unless the director or senior officer proves to the satisfaction of the court that the act constituting the offence under this section was done without the knowledge, consent or connivance of the director or senior officer or that the director or senior officer took reasonable steps to prevent the commission of the offence.

(7) Where a firm does an act, which if done by an individual would be an offence under this section, every partner in the firm shall be deemed to have committed the offence unless the partner proves that the offence was committed without their knowledge, consent or connivance.

The Institute envisages that through the enforcement of this anti-holding out directive, it will know which employers and individuals are not complying with the provisions of section 18 (1) and (2) of the Accountants Act No. 13 of 2008 as concerns persons holding out as members of the Institute.

Ladies and Gentlemen, we wish to also advise that all disclosures made under this directive by ZICA Members in public practice fall under Protected Disclosures provided for under Part V of the Accountants Act No. 13 of 2008 and do not constitute a breach of confidentiality on the part of the person disclosing the information to the Institute.

ZICA Members in public practice, who fail to submit the monthly returns by the 10th day of the month following the applicable month to which the return relates or who will fail to make a correct disclosure in their monthly returns submitted to ZICA commit professional misconduct and shall be subjected to the ZICA disciplinary process which on conviction could result in such a ZICA member being deregistered.

All persons holding out and employers facilitating the illegal practice of holding out shall be subjected to criminal proceedings in accordance with the Accountants Act No. 13 of 2008.

ZICA members aiding, abetting or facilitating persons holding out as members of the Institute, commit professional misconduct and shall be subjected to the ZICA disciplinary process which on conviction could result in such a ZICA member being deregistered.

Ladies and Gentlemen, I wish to announce that an amnesty period ending on 31st August 2019 has been extended to the business community and persons performing accounting functions to ensure that they regularize their membership status with ZICA as soon as possible. We urge employers and affected employees to utilize this amnesty period to ensure that they pay for the ZICA annual subscriptions and any balances due to ZICA. The first returns on the ZICA membership status of Accountants in industry, commerce, Non-Governmental Organizations and the public sector shall be for the month of August 2019 which will be due on 10th September 2019.

This directive was approved by the Standards and Regulatory Board of ZICA which independently oversees compliance with relevant standards and regulations governing the accountancy profession.

(v) ENACTMENT OF THE ACCOUNTANTS BILL 2019

Ladies and Gentlemen, at the last Annual General Meeting of the Institute, the Deputy Secretary to the Cabinet informed the ZICA members that on Monday, 15th April 2019 Cabinet approved the Accountants Bill 2019 which is expected to repeal and replace the Accountants Act No 13 of 2008. The Accountant's Bill 2019 has enhanced provisions and powers of the Institute in dealing with cooperation with other law enforcement agencies on financial crimes investigations, false & reckless accounting, public interest disclosures and enforcement of the Code of Ethics among others. We therefore wish to appeal to the Government to expedite the process of enactment of the revised Accountants Act.

(vi) HIGHLIGHTS ON CA ZAMBIA AND ZICA DIPLOMA QUALIFICATIONS

Ladies and gentlemen, as you may be aware the Institute has continued to contribute positively to the nation's socio-economic development by developing accountants that are an important ingredient of a good financial management system of our country. Our qualifications have been designed to produce accountants that are able to address the private and public sector requirements.

The CA Zambia brand is an internationally recognized professional accountancy designation. It is a globally respected brand that will open doors to many opportunities. The CA Zambia qualification is a premier professional accountancy qualification suitable for those that seek to be professionally qualified in finance and business. The CA equips individuals to think outside the box as graduates will serve as business advisors, finance experts, game changers, problem solvers, thought leaders and decision makers in both private and public sectors of the economy. The rich blend of courses in financial reporting, management accounting, auditing, taxation and financial management guarantees graduates with technical skills to help organizations thrive regionally and globally.

Ladies and Gentlemen, I wish to inform you that the overall pass rates in all the ZICA programmes have continued to be very impressive. In our last December 2018 examination session, the Diploma in Taxation recorded an 86 percent pass rate while the Diploma in Public Sector Financial Management recorded a 75 percent pass rate. Under the CA Zambia programme the notable pass rate was the 66 percent recorded at the Knowledge level. This high pass rate at Knowledge level of the CA Zambia programme is attributed to the excellent education system designed to equip CA Zambia graduates with the technical skills that make them fully committed to highest standards and ethical integrity.

From the performance by gender in our examinations, it is gratifying to note that our female candidates are generally performing better than the male candidates. I also wish to note that candidates who were on full time study performed better than those who were either on part time study or self-study. Students are therefore encouraged to attend classes from our accredited tuition providers in order to enhance their chance of passing.

The Institute looks forward to the continued beneficial partnership with the accredited Tuition providers in the development of work-ready Accountants, Taxation Specialists, Public Sector Financial Management Specialists, and Business leaders.

CONCLUSION

In conclusion, we wish to commend Government for giving ZICA an opportunity to give professional advice on economic and national matters. We look forward to more engagements and cooperation with both the public and private sectors during the remaining part of 2019 and beyond.

I wish to thank you members of the press for covering this quarterly media briefing and your dedication to informing the public of developments happening at the Institute and the nation at large. I now welcome any clarifications you may wish for me to make on any aspect of our quarterly media statement, otherwise we look forward to seeing you at our next quarterly briefing.

Jason Kazilimani, Jr

PRESIDENT

ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS